a2dominion group

# Annual Report & Accounts

## 2020

*Centenary Quay, Southampton*
*Cover: Wyndham Studios, Southwark*

# Contents

# Chair's report

Welcome to A2Dominion's Annual Report and Accounts 2020. Throughout the year, we have continued to deliver high-quality homes and services to our customers, helping to improve the lives of people across the south of England.

## RESILIENT SERVICES

We continue to face an unprecedented situation caused by the coronavirus pandemic. Despite the potential for major disruption during lockdown, our systems proved to be effective and our staff have worked tirelessly to maintain services at near-normal levels, with many going the extra mile to help our customers.

We responded to a three-fold increase in requests for financial advice and support and maintained a full repair service throughout. Our Care & Support team has been at the forefront of delivering vital services to customers who have been at most risk, making the difference in keeping the transmission of the coronavirus and its devastating effects to a minimum. My thanks go to all our employees for their hard work and dedication.

It is possible that the impact of the pandemic will be with us for some time and could permanently change some aspects of how we operate. We will continue to review our plans to ensure we are in the best possible position to adapt and respond.

## RENEWED FOCUS

This year marks the end of our Business Plan for 2015-20. During this period, we built over 4,100 new homes, improved satisfaction with our repairs service to nearly 90% and started the transformation of our business through our Fit for the Future programme. This has been against the backdrop of uncertainty surrounding Brexit, additional fire safety guidelines following Grenfell, reductions in rental income and the limited availability of Government grants for new affordable housing.

Our new Corporate Strategy 2020-25 (page 35) builds on these achievements, with a renewed focus on delivering customer-led services for residents and communities, protecting and growing our business, providing new high-quality homes, and effectively managing our existing homes and places.

## CONTINUED INVESTMENT

With an open market value asset base of £8.4 billion and a track record of attaining high credit ratings, A2Dominion continues to be financially strong and is in a good position to successfully manage any economic uncertainties.

We have also continued to invest in our business transformation programme and have made significant changes to our technology, business processes, and the way our people work; all helping to improve the services we provide to our customers. For instance, new digital channels such as live chat have proven to be instantly popular, with customers reporting that they are 60% easier to use compared to traditional online methods of contact.

Finally, I would like to thank our customers and partners, the Board and committees, and our executives and our employees. I would like to give particular thanks to our frontline staff, who have shown in the last months just how resilient and adaptable they are. I look forward to working together over the next 12 months.

**IAN COX**
CHAIR

*Well Farm Heights, Tandridge*

# Business overview

## OUR VISION

Our vision is to improve people's lives through high-quality homes and services.

## WHO WE ARE

We are a residential property group with a social purpose; whilst we take a commercial approach to housebuilding, we reinvest all of our profits into building more new homes and supporting the communities where we work.

We own and manage a diverse property portfolio of more than 38,000 homes across London and southern Engand. We build award-winning, affordable, social rented homes, student, NHS and temporary accommodation, as well as supported housing and homes for older people. We also build high-quality sustainable homes for sale and shared ownership through our FABRICA by A2Dominion brand.

We're proud to be part of the G15, a group of the largest housing providers in London.

**38,000**
homes

**reinvesting**
all profits

**supporting**
communities


## OUR BRANDS

There are three main brands within the Group:

A2Dominion is our brand for a wide range of homes for rent and resale, day-to-day property management, as well as care and support and community investment services.

FABRICA by A2Dominion is our brand for marketing our new homes available for private sale and shared ownership.

Pyramid Plus is the shared name of our joint venture asset management companies that provide repairs and maintenance services to our residents.

# Our annual highlights

## PROVIDING NEW **HIGH-QUALITY** HOMES AND PLACES

**1,401**
starts on site including 391 for affordable and social rent

**6,392**
homes in the development pipeline

**415**
homes completed:

**96%**
of new home customers would recommend buying from us

## DELIVERING **CUSTOMER-LED** SERVICES

**£10.6m**
of social value achieved through community investment projects, helping to improve the lives of 7,500 people

**£6.3m**
of financial support secured on behalf of residents

A **new customer website** and portal launched with enhanced digital contact features

## **INVESTING** IN HOMES AND LOCAL COMMUNITIES

**£400,000**
investment in our Great Places to Live estate improvement programme

**3,108**
estate inspections undertaken to help ensure our communities are well looked after

**101%**
completion of cyclical repairs for 86% of the budget

## **STRENGTHENING** OUR BUSINESS

**£320.4m**
turnover

**Maintained Fitch A+**
credit rating for the fifth year

**Named Employee Engagement Company of the Year** at the UK & European Employee Engagement Awards 2019

**Retained our G1/V2 rating**
following an in-depth assessment by the Regulator of Social Housing

# Strategic report

*Wyndham Studios, Southwark*

# Strategic report

## OUR STRUCTURE

**A2Dominion Housing Group Limited,** as the parent association, provides strategic direction for the organisation, along with central, financial and development services. During the year (ended 31 March 2020) the Group contained three social landlords:

**A2Dominion Homes** and **A2Dominion South**, which are charitable organisations operating within these main business areas:

- Long-term rented housing for people who are unable to afford to rent or buy in the open market
- Housing for older people and supported housing with care and support to meet the needs of the most vulnerable and socially excluded individuals in our communities
- Temporary housing for those who would otherwise be homeless
- Low-cost home ownership housing, particularly shared ownership
- Student and key worker accommodation and private rented homes

**A2Dominion Housing Options**, a non-charitable organisation providing low-cost home ownership homes, particularly shared ownership.

The commercial division consists of two companies:

**A2Dominion Developments Limited** develops homes for private sale and homes for affordable rent, shared ownership and private rent that are sold to members of the Group to manage. These activities generate profits, which we re-invest into new housing and services, enabling the Group to grow organically through the development of mixed tenure schemes.

A2Dominion Developments Limited has 24 developments in production, including 13 joint ventures with partners (see page 135).

**A2Dominion Residential Limited** provides private rental homes to the open market with an ongoing management service for residents. An active asset management approach is incorporated for these homes.

## STRATEGIC OBJECTIVES

Our purpose is to provide as many good quality homes as we can at a price people can afford. We reinvest all of our profits back into our business, helping to deliver more new homes, better services and support to local communities.

As set out on pages 35 to 36, we are now working towards our new Corporate Strategy 2020-25, with four new strategic objectives:

**DELIVER CUSTOMER-LED SERVICES** FOR RESIDENTS AND COMMUNITIES

**PROTECT AND GROW** OUR BUSINESS

PROVIDE **NEW HIGH-QUALITY HOMES** AND PLACES

**EFFECTIVELY MANAGE** OUR EXISTING HOMES AND PLACES

# OUR APPROACH

Our core activity is to provide high-quality homes at a social rent for families on low incomes, deliver accommodation for students and key workers, and help people onto the housing ladder through shared ownership.

We have since built on this stable base of affordable rented homes to include homes for private rent and sale, developing our position as a leading residential property group with a diverse portfolio of products and business streams.

These activities allow us to optimise our investments to fund our social purpose: the creation of new affordable homes and housing services for the people who need them most. Private sale enables us to bridge the subsidy gap due to the reduction of Government grant funding for new housing, and to help people of all incomes to live in a secure, high-quality home.

## FUNDING MODEL

The diagram below shows how we fund a two-bedroom affordable home in London that costs £300,000 to build.


Government grant levels prior to 2011 reached up to £120,000 per home, but as a result of the introduction of the Affordable Homes Programme, this fell to between £20,000 and £60,000.

To compensate for this reduction, we, like others within the sector, looked to replace the missing subsidy through the surplus we make each year. Grant levels of £20,000 per home meant that on average the Group needed the surplus from one private sale home to fund one affordable home.

Whilst grant levels are increasing, up to between £60,000 to £80,000 in London, we still need to take a commercial approach to housebuilding, generating surpluses from our private sales to sit alongside external funding, enabling the development of affordable new homes for our social purpose. Without doing this, our provision of new properties for people still in need of a home would be reduced.

Establishing an upper limit on the number of new homes we can deliver limits our exposure to the private sales market allowing us to manage our financial risks, ensuring we operate within our means, whilst maintaining the confidence of our investors and our regulator.

Our business model is supported by a strong approach to risk management and a significant asset base, which enables us to attract funding from investors and maintain a strong credit rating within the sector, meeting our target to maintain high levels of liquidity.

It is also supported by one of our greatest strengths, the people who work for us. We invest in our diverse employees to encourage their skill, innovation, resilience and customer service, helping us to be a high-performing and results-orientated business.

We build on these strong foundations by strengthening the way we operate, protecting our reputation through effective operations management, optimising our investments, and developing our capability so that we can grow and deliver better services for our customers.

*Queen's Wharf, Hammersmith and Fulham*

# Profit for a social purpose business model

## DELIVER CUSTOMER-LED SERVICES FOR RESIDENTS AND COMMUNITIES

- We aim to sustain and improve customer satisfaction with our services and continue to develop accessible services based on customers' needs
- We are progressing our business change programme, Fit for the Future, to improve the services we provide
- We continue to improve our digital services to provide a quicker and easier response for our customers

## PROTECT AND GROW OUR BUSINESS

- We generate profits from a wide range of activities, particularly from private sales and landlord services
- We use our existing assets and portfolio base to attract funding from lenders. In 2019/20, we successfully arranged £235 million of new funding and retained our A+ credit rating from Fitch
- Our operating margin has increased by 7.4% from 2019
- We grow our commercial activities, pursuing partnership work and joint ventures to secure new homes provision

## EFFECTIVELY MANAGE OUR EXISTING HOMES AND PLACES

- Providing safe, secure and well-maintained homes for our customers remains a priority. We aim to foster a more predictive, proactive and agile approach to managing our homes and places, resolving issues before they become problems
- We have conducted inspections on 147 buildings as part of our programme of fire prevention and upgrade works
- In 2019/20, £31.1 million was invested in maintaining and upgrading the homes we own and manage

## PROVIDE NEW HIGH-QUALITY HOMES AND PLACES

- Each year we use our profits to develop around 900 new homes. Our current plans are to deliver on average 1,200 units per year over our 2020-25 strategy period but this will continue to be under constant review by the Board, factoring in the ongoing economic uncertainty caused by the coronavirus pandemic
- For every affordable rented home we build, we contribute up to £120,000 of our own profits
- Our profits are also used to:
  - Help families on low incomes and vulnerable people
  - Meet the growing demand for privately rented homes
  - Build shared ownership homes helping new homeowners
  - Create local communities
  - Improve existing homes and services
  - Invest in our Fit for the Future programme.

# Stock profile

| | LOCAL AUTHORITY | HOMES IN MANAGEMENT | HOMES IN DEVELOPMENT | TOTAL |
|---|---|---|---|---|
| 1 | Bristol | 851 | 708 | 1,559 |
| 2 | Bromley | 1,223 | 0 | 1,223 |
| 3 | Cherwell | 501 | 192 | 693 |
| 4 | Chichester | 559 | 0 | 559 |
| 5 | City of Westminster | 1,343 | 2 | 1,345 |
| 6 | Ealing | 3,577 | 980 | 4,557 |
| 7 | Elmbridge | 478 | 521 | 999 |
| 8 | Guildford | 505 | 143 | 648 |
| 9 | Hackney | 413 | 0 | 413 |
| 10 | Hammersmith & Fulham | 1,268 | 249 | 1,517 |
| 11 | Harrow | 937 | 0 | 937 |
| 12 | Hillingdon | 2,073 | 375 | 2,448 |
| 13 | Hounslow | 2,788 | 303 | 3,091 |
| 14 | Oxford City | 2,773 | 600 | 3,373 |
| 15 | Reading | 553 | 0 | 553 |
| 16 | Reigate & Banstead | 351 | 216 | 567 |
| 17 | Runnymede | 641 | 43 | 684 |
| 18 | Rushmoor | 368 | 0 | 368 |
| 19 | Slough | 951 | 0 | 951 |
| 20 | Spelthorne | 7,442 | 357 | 7,799 |
| 21 | Tower Hamlets | 502 | 0 | 502 |
| 22 | Wandsworth | 373 | 169 | 542 |
| 23 | West Berkshire | 632 | 0 | 632 |
| 24 | Winchester | 1,121 | 0 | 1,121 |
| 25 | Windsor & Maidenhead | 382 | 0 | 382 |
| 26 | Sutton | 349 | 6 | 355 |
| | *Other | 5,170 | 1,528 | 6,698 |
| | Total | 38,124 | 6,392 | 44,516 |

*indicates local authorities where total stock in management is less than 300.

# Group performance summary

To deliver the Group's previous Business Plan 2015-20, we set out a number of specific aspirations against our strategic objectives.

## PROVIDING NEW **HIGH-QUALITY** HOMES AND PLACES

**Build 4,500 new homes between 2015-20**

**Develop up to 1,200 new homes per year by 2020**

**PARTIALLY MET**
- 415 homes delivered in 2019/20 bringing the total since 2015 to 4,125
- Since 2015, we created 274 more affordable rent homes than planned, helping to deliver our social purpose
- Our current plans are to deliver on average 1,200 units per year over our 2020-25 strategy period but this will continue to be under constant review by the Board, factoring in the ongoing economic uncertainty caused by the coronavirus pandemic

**37,000 homes in management**

**MET**
- 38,124 homes in management

## DELIVERING **CUSTOMER-LED** SERVICES

**Develop a clear, simple and consistently well-delivered customer offer regardless of tenure, scheme or location**

**MET**
- Target operating model and updated customer experience model in place

**Provide more flexible services to suit different customer needs by responding more quickly when things go wrong and offering greater choice**

**PARTIALLY MET**
- Further improvements expected from the ongoing implementation of the Fit for the Future programme
- In March 2020, we launched a call-back service for the Customer Contact Centre and enabled webchat functionality

**Provide subsidised services with wider community benefits by delivering care and support for vulnerable people and investment in local communities**

**MET**
- £10.6 million of social value achieved in 2019/20 – up from £3.5 million in 2018
- 4,000 people attended our jobs fairs in 2019/20

## **INVESTING** IN HOMES AND LOCAL COMMUNITIES

**Provide 60% of homes for rent or shared ownership and 40% for sale**

**MET**
- Delivered 62% of our homes for rent or shared ownership and 38% for private sale
- Created 7% more affordable rent homes than our target

**Focus on building great places to live by providing well-designed, larger housing schemes with a strong sense of community regardless of tenure**

**MET**
- Delivery of Green Man Lane regeneration in Ealing, Elmsbrook eco-town in Bicester, Redcliff Quarter in Bristol, and Fellows Square in Cricklewood

## **STRENGTHENING** OUR BUSINESS

**Continue to invest in developing, retaining and attracting great people to create a talented workforce**

**MET**
- Retained high staff engagement score above 80% in 2019/20
- Achieved Disability Confident Employer status, a higher-level certification that demonstrates our commitment to diversity
- New recruitment portal launched

**Continue to enhance our approach to risk management and compliance**

**MET**
- Internal borrowing cap in place
- New corporate Risk Register in place
- Emerging issues log used throughout the governance structure

**Investing in technology and improving integration, leading to improved customer experience**

**PARTIALLY MET**
- Programme still in progress with continued improvements expected from the ongoing implementation of the Fit for the Future programme
- New customer website and portal delivered, with additional digital contact methods
- Asset management tool allowing more effective decisions for the maintenance of homes
- New telephony system for the Customer Contact Centre that gives customers faster access to an operator and enabled a seamless move to homeworking that has proved essential to service delivery during the coronavirus lockdown

# Providing new **high-quality** homes and places

Over the past year, we have increased the number of homes under our management to 38,124, and we have a further 6,392 under development. For us, developing homes is a vital part of our role to help tackle the housing crisis and support people in need.

## CREATING NEW HOMES

Whilst this year was an expected lower output year, we exceeded our target of 351 new homes by completing 415. This included 85 affordable rent, 13 shared ownership, 312 private sale and 5 private rent homes.

We also started on site to build 1,401 new homes for completion in future years, and have sites secured for 6,392 homes over the next five years and beyond with more than half allocated for affordable and social rent.

## THE RIGHT SITES FOR THE LONG TERM

We are undertaking a strategic land and scheme disposal programme from some of our sites to maximise the long-term stability of our organisation and development pipeline.

This has allowed us to focus on sites where we can achieve the greatest value and deliver the high-quality homes that our business and brand rely on. In 2019/20, we added 580 plots to our strategic land bank, giving us over 3,000 plots now under our control.

## HIGH-QUALITY NEW HOMES

Satisfaction amongst new home customers has consistently risen and we have achieved the In-House Research Gold Award for customer service with a net promoter score of 63, accompanied by an outcome that found that 96% of new customers would recommend buying a home from us.

This remains an area of focus in a potentially challenging economic environment where customers will put a premium on service. During 2019/20, we improved our quality management with additional inspections to check build quality before handover to the New Homes team.

We continue to draw on £117.5 million of funding from our strategic partnership with the Greater London Authority as we deliver our part of the London Affordable Homes Programme 2016-21. Under this scheme, we will deliver 2,152 new affordable homes in London, contributing to the Mayor of London's target of 116,000 new starts by March 2022.

## SHARING SKILLS AND RISK

We have continued to build on our joint venture partnerships, which allow us to share expertise and risk when developing new schemes. We currently have 13 partnerships in place and have one more in the pipeline.

Our effective partnership working was recognised with two WhatHouse? awards this year:

- Best Partnership Scheme with Mount Anvil for Keybridge in Vauxhall, which holds the record as the UK's tallest residential brick tower.
- Best Sustainable Development for Elmsbrook in Bicester, the UK's first eco-town, alongside Crest Nicholson, which named A2Dominion as its Partner of the Year at the Crest Regeneration Awards.

As well as new relationships with housebuilders, we are working with Transport for London, and our contractor partner Higgins Construction PLC, on a proposed redevelopment of the underground station at Hounslow West. We are now in the consultation phase for this scheme, which would create over 350 new affordable homes and a new public space with shopping, as well as improved access to the station.


**1,401**
starts on site in 2019/20

Net promoter score of **63**

**£117.5m**
funding secured from London Affordable Homes Programme

“We are always proud to work with A2Dominion on developments such as the joint venture vehicle to deliver the prestigious development at Boston Road, Hanwell.

“A2Dominion builds stronger, safer communities for local residents and delivers high-quality, affordable new homes. Projects like this exemplify our extremely successful working relationship with A2Dominion over many years.”

**STEVE LEAKEY,**
**MANAGING DIRECTOR OF HIGGINS**



# DEVELOPMENT PORTFOLIO

## KEYBRIDGE, VAUXHALL

Due for completion in early 2021, Keybridge, in Vauxhall, London, will be the UK’s tallest residential brick tower at 37 storeys. This joint venture partnership with Mount Anvil will deliver 470 mixed tenure homes, as well as 9,000sqm of commercial space and a new primary school. Residents will have access to a spa, gym, basement cycle storage, underground car parking and a dedicated club lounge.

## JIGSAW, EALING

Working alongside Rydon, A2Dominion is delivering the third phase of the Green Man Lane estate regeneration, marketed as Jigsaw. Situated in West Ealing, London, the five-phase development will replace 464 flats with 770 one- to four-bedroom homes by 2022. The regeneration also includes an eco-friendly energy centre, community café, public parks, and a new primary school. The second phase delivered 187 new private sale and affordable homes, with more than 20 homes for wheelchair users.

## ELMSBROOK, BICESTER

The first phase of the UK's first eco-town, Elmsbrook, has delivered 393 homes through A2Dominion's joint venture with Crest Nicholson. Part of the 6,000-home 'NW Bicester' development in Oxfordshire, the site offers contemporary sustainable living through one- to four-bedroom homes, 30% of which will be reserved for affordable housing. The development is recognised with Bioregional's One Planet Living status for its standard of eco-efficiency and sustainable living, one of only 11 recipients globally.

## KNOWLE PARK, CRANLEIGH

Knowle Park is a regeneration scheme in Cranleigh, Surrey, which will create 265 houses and apartments alongside a new country park. The first phase will comprise 73 new homes and is scheduled for completion in Autumn 2021. The creation of the neighbouring country park will transform the surrounding fields to create a new public greenspace and will be managed and maintained by the Knowle Park Trust upon completion.

## WYNDHAM STUDIOS, SOUTHWARK

A collection of 58 studio and one- to three-bedroom apartments in Southwark, South London. Based in the artists' hub of Camberwell, the development will host a ground-floor commercial space, central courtyard, and private rooftop terraces. Some 80% of the privately owned homes at Wyndham Studios will be available through the Government's Help to Buy scheme.

## REDCLIFF QUARTER, BRISTOL

Now entering its second phase of development, Redcliff Quarter is our largest scheme in the South West. The scheme is set on 3.3 acres of previously derelict land and is situated just a short walk from Bristol Temple Meads railway station. Following the delivery of 128 private rent apartments in November 2018, a further 118 new homes will be created in phase two, as part of a joint venture between Change Real Estate, ICG Longbow and Canon Family Office.

## MATILDA HOUSE, OXFORD

Following its completion in Autumn 2019, Matilda House provides accommodation for 37 residents, with A2Dominion's Care & Support team providing homeless people with the support they need to lead fulfilling lives. The scheme comprises a short-term facility that assists those with complex needs, and a move-on facility that provides residents with employment and training.

## DRIFTWAY, CHINNOR

A joint venture between A2Dominion and Nicholas King Homes, Driftway is a development of 78 two to five-bedroom homes on the edge of the Chiltern Hills, Oxfordshire. Four apartments and five houses were made available via shared ownership, with the homes perfectly situated for convenient travel to the major cities of Oxford and London.

# Delivering **customer-led** services

We continue to invest in our services, improving the experience for our customers. Over the last year we have extended the services that we offer to the most vulnerable people, put in place new systems to modernise the way that customers can interact with us and increased the use of data and insights to target improvements that make the most difference.

## CUSTOMER SATISFACTION

We achieved an overall customer satisfaction level of 72.8%, which is lower than the levels we have achieved over the last two years. The fall in satisfaction was caused by the transition to the new technology and ways of working. We expect this to improve as our change programme, Fit for the Future, continues to deliver benefits for customers.

Repairs are a key driver of resident satisfaction and we have continued to improve this service, with a 9% rise in satisfaction since 2015/16. Repairs are being completed within an average of 10 days, against a 15-day target, and three in four are completed on the first visit. We want to continue to improve these figures over the coming years.

## CUSTOMER INSIGHT DRIVING PERFORMANCE

Our updated customer experience plan was launched during the year and aims to put the customer first by offering services that work for them. We continue to harness the knowledge of our Customer Advisory Panel to use insights to develop our services and make sure the customer comes first in everything that we do.

Following feedback from customers about delays to repairs, we examined our performance data in detail and made a number of improvements to reduce the likelihood of things going wrong. These included: changes to how communal repairs are managed, with an increase in specialist and contract staff; simplifying processes behind the scenes; and increasing the use of data to create an early warning system, which flags issues before they get out of hand. Early results from this work include a 14% reduction in repairs cancelled in error, urgent jobs completed seven days faster and standard jobs completed four days faster, as well as faster resolution of specialist repairs.

**150,000**
unique visitors to new customer website in its first five months

**2,967**
calls to check vulnerable residents' wellbeing

Supported
**3,600**
customers to access £6.3 million in Government support

## DEVELOPING DIGITAL COMMUNICATIONS

There were nearly 150,000 unique visitors to the new A2Dominion customer website and portal during the first five months since its launch in November 2019. This is representative of a 155% increase in the average number of visits to our website from 2015.

We are also working towards a seamless digital service for customers who want to manage their repairs online. They will be able to see the progress of ongoing repairs, as well as see, book and amend appointments for planned works and upgrades.

These investments are already benefiting customers who find our new online communication channels 60% easier than contacting us by traditional online methods.

## CARING FOR CUSTOMERS THROUGH THE CORONAVIRUS PANDEMIC

In the early stages of the coronavirus lockdown our teams made 2,967 calls to residents aged over 70 and under 30 to check on their wellbeing and to offer help and advice, where needed. We received a very positive response to this activity with many residents thanking our staff for checking on them.

Our Tenancy Sustainment team saw an increase in requests for Universal Credit advice rise from an average of 28 per week before coronavirus to 250 per week at the height of demand.

By redeploying staff, and utilising smart management, we were able to meet this demand and help our residents when they needed us most.

Our Extra Care homes, which are on the frontline of the response to coronavirus, rapidly put in place systems to protect our customers while ensuring their welfare and passed an extra Care Quality Commission inspection.

We also supported the wider effort to protect people from the virus, including rapid provision of accommodation for street homeless people.

## HELP FOR THOSE WHO NEED IT MOST

We offer essential services to the most vulnerable people in our society through our Care & Support teams. We opened Matilda House in Cowley, which offers a route away from homelessness for 37 people, as well as Beechwood Grove, a mixed tenure Extra Care scheme.

We also continue to offer support for people who are experiencing domestic abuse, with our service in Oxfordshire and West Berkshire receiving an average of 600 calls per month at the start of 2020.

During the year we launched our new Vulnerable Persons Policy, which is designed to ensure vulnerable customers have a good customer experience with us, and make sure that no-one is disadvantaged as a result of their vulnerability.

For those who are financially vulnerable, our Tenancy Sustainment team helped over 3,600 customers claim over £6.3 million of support that they were eligible for, giving them greater security to stay in their homes.

> "A2Dominion has responded impressively, efficiently and effectively to Covid-19 and lockdown."

**Housing Associations' Charitable Trust report on A2Dominion's response to coronavirus**

> "My husband and I have been renting our beautiful bungalow from A2Dominion for 20 years now. I love that it's a local association so there are people from within our community to come and help out when we need it, especially with everything that's gone on recently.

> "Being with A2Dominion means more than just having a house, it means having someone looking out for you."

**ELAINE DUNNE, A2DOMINION AFFORDABLE RENT CUSTOMER IN CHICHESTER**

# **Investing** in homes and local communities

We are committed to the people who live in our homes, and helping them to build better lives. Our support services make us more than a landlord and by helping our customers we strengthen our business. We continue to invest significantly in fire safety, and we are modernising our programme of upgrade works for the homes we manage.

## INVESTING IN COMMUNITIES

Our Community Investment Programme created £10.6 million of social value that improved the lives of customers, up by over £6 million from 2018/19. This work helped 7,500 people gain employment and training, as well as improving their health and digital skills. 4,000 people visited our jobs fairs, giving them the chance to meet employers and improve their lives.

To support this valuable work, we invested £3.8 million of our own money and successfully bid for £620,000 from external sources; a rise of £120,000 from last year.

By supporting residents to improve their lives, we increase their stability and the stability of our business, which allows us to help more people.

## MAINTAINING QUALITY HOMES

We continually work to maintain our homes to a high standard. In the year, we renovated 349 kitchens and bathrooms, replaced windows and doors in 626 homes, replaced 198 roofs and redecorated 2,880 places. This work improves our residents' homes and maintains our properties to a high standard.

We have also modernised how we access the outside of our buildings for planned maintenance, where possible using mobile platforms rather than scaffolding. This was a key factor in the delivery of 101% of our cyclical maintenance target against 86% of budget and reduced disruption for our customers.

## BUILDING SAFETY

The safety of residents in their homes is our first priority and we are establishing a Building Safety team to drive forward our ongoing programme. Since 2019 we have arranged independent inspections on 147 buildings, which will inform an extensive programme of work that we expect to take place over the next five years.

Government guidance and policy in this area continues to change and our programme remains adaptable. To keep customers better informed throughout this process, we are introducing new proactive communications approaches.

## GREAT PLACES TO LIVE

Throughout the year, we worked with a selection of neighbourhoods that needed additional attention, as part of our Great Places to Live initiative. We invested £400,000 improving these neighbourhoods including increased security, better lighting, outdoor fitness equipment and sports activities.

We also redesigned communal outdoor spaces to improve their look and feel and started 30 new partnerships with local services focusing on youth engagement, reducing social isolation, enhancing health and wellbeing, and supporting income and money management skills.

£10.6m

social value delivered

Independent fire safety inspections on

147

buildings

£400,000

invested in our 'Great Places to Live' programme

"After losing faith and trust in most humans, with the help of A2Dominion's staff my three children and I have found ourselves again. I have learnt to trust again. I found faith in humans again because, even though more than once I was ready to give up, they all believed in me and they never gave up. Now I can smile again."

**A2DOMINION DOMESTIC ABUSE SERVICE CUSTOMER**

# Strengthening our business

Maintaining a strong and effective business allows us to deliver our services and new homes programme. In the last year, we have progressed our Fit for the Future change programme to transform the way we work and enable us to provide better services for customers.

We have also further strengthened our approach to risk management, which is set out on pages 41 to 48. Our credit rating from Fitch remains at A+ and we successfully arranged £235 million of new funding during the year. Our Value for Money performance is explained on pages 53 to 61.

## RESILIENCE THROUGHOUT THE BUSINESS

We maintained a near-normal service for most customers throughout the coronavirus pandemic and lockdown period. Office staff transitioned quickly and effectively to working at home through effective IT infrastructure and clear internal communication. This included our Customer Contact Centre, which successfully transitioned to homeworking within 48 hours, whilst achieving high levels of customer satisfaction. This was made possible by the upgrade to our telephony system, as part of our Fit for the Future programme, earlier in the year.

To help care for our employees working from home, we introduced a Wellbeing and Resilience Programme. This included wellbeing toolkits, mental health blogs, increased digital training and opportunities to connect with colleagues.

## FIT FOR THE FUTURE

In 2018, we began our Fit for the Future programme which will transform our organisation to ensure we can continue to be responsive to our customers' needs and expectations, while making the business more efficient and sustainable.

The first two phases of the programme are now live. These have changed how we manage enquiries from our customers, improved our customer website and portal, and introduced a new finance and procurement system.

Over the next year, we will focus on the third phase of the programme, which will deliver improvements to how we manage all of our housing and residential services for our customers across all tenures.

## INVESTING IN PEOPLE

Investment in our people is a key factor in our customer satisfaction and the strength of our overall business. We have continued to grow our leadership development programme and wider digital learning offer. By creating and building online learning communities, we have significantly increased social learning and collaboration.

Our staff engagement scores remain steady at above 80% and we were delighted to win Employee Engagement Company of the Year at the 2019 UK & European Employee Engagement Awards.

## HARNESSING DIVERSITY

We recognise that diverse organisations are stronger and more effective, and that it is important that we reflect the wide range of people we serve.

Last year we established a Diversity & Inclusion (D&I) Advocacy Group. Its main purpose is to actively drive the D&I agenda forward across our organisation and to help promote an inclusive culture. The Group held its first event for International Women's day in March and has developed a plan on other D&I topics, including Mental Health Week, Pride and Black History Month. The work of the Advocacy Group is supported by our D&I Steering Board, made up of senior staff and chaired by our Chief Executive.

Across the Group, including two of our subsidiaries, our mean gender pay gap is 16.07% (this gap within our parent company is 25.39%). We have agreed key actions for the next few years targeted at areas where we identified lower numbers of women in senior roles.

## CLEAR DECISION MAKING

We constantly monitor changes in the environment in which we operate so that we can make the best long-term decisions. In 2019/20, the Group put in place an internal borrowing cap to strengthen our risk management and ensure our financial stability.

This clear approach to risk management helped guide our decision to initiate a strategic land disposal, from sites that no longer meet our requirements or do not meet our targeted levels of financial return.

Although some of these disposals have reduced our surplus in the short-term, we are confident that it has added to the long-term strength and sustainability of the Group.

## EXTERNAL FUNDING AND LIQUIDITY

Throughout the year the Group maintained high levels of liquidity. The Group completed on a number of funding agreements, including £75 million of revolving credit facilities in August and two bond issues off our European Medium-Term Note Programme totalling £160 million.

We also maintained our Fitch A+ rating, which is amongst the highest in the sector, for the fifth year. This allows us to borrow at the best possible rates and demonstrates the security of the Group as an investment.

Upgraded telephony system allowed rapid transition to

homeworking

83%

staff engagement

Diversity & Inclusion Advocacy Group

launched

£235m

raised from funding agreements

"I talk to young people every day about hope and optimism as part of my job, and shared ownership keeps that hope of owning your own home alive. If you're thinking about your next move, do some research because owning your own home might be closer than you realise. And, with A2Dominion, the process was very straightforward, which alleviated the stress."

**RICHARD, A2DOMINION SHARED OWNERSHIP CUSTOMER**

# Corporate strategy 2020-25

Our new Corporate Strategy 2020-25 builds on our successes and aims to deliver more homes and provide better services for those in need.

As we face a potentially turbulent period due to the coronavirus pandemic, we will continue to review our strategy to ensure we remain adaptable in a fast-changing environment.

Our strategic objectives are to:

**DELIVER CUSTOMER-LED SERVICES** FOR RESIDENTS AND COMMUNITIES

**PROTECT AND GROW** OUR BUSINESS

PROVIDE **NEW HIGH-QUALITY HOMES** AND PLACES

**EFFECTIVELY MANAGE** OUR EXISTING HOMES AND PLACES

Our detailed targets under each of these headings are set out below:

## DELIVER CUSTOMER-LED SERVICES FOR RESIDENTS AND COMMUNITIES

**High customer satisfaction**
- With an ambitious new target of 83.5% across key service areas

**Invest in community initiatives**
- Deliver £12 million per year in social value for our communities

**Better and easier for customers**
- Create a customer-first culture across all our teams and make our services effortless to use

**Digital first**
- With 80% of services to be available online and support for those who still need it

**Understand customers better**
- Use insights to tailor products and services to suit changing needs and lifestyles

**Community cohesion**
- Deliver consistent services, regardless of tenure, scheme or location with continued support for vulnerable people

## PROTECT AND GROW OUR BUSINESS

**Improve our financial performance**
- Increase margins in our core business area by 1% each year

**Transform our business**
- Make it easier to do our jobs and realise over £4.6 million a year of benefits from 2023

**Invest in employees**
- Create learning opportunities and maintain 83% engagement

**Build our reputation**
- Retain our credit and regulation ratings

**Targeted growth**
- Identify opportunities to partner or merge activities with others that complement us

**New opportunities**
- Offer our services to other organisations and private landlords

## PROVIDE NEW HIGH-QUALITY HOMES AND PLACES

**Great design**
- Provide great places to live for our customers with a strong sense of community

**Deliver our build programme**
- Provide up to 6,000 new homes over five years.

**Quality control**
- Deliver good quality at every stage, with minimal defects at handover and any issues resolved quickly

**Profit for a social purpose**
- Utilise private development to help fund affordable new homes

**More joint working**
- Extend partnerships and collaborative working with landowners, developers, local authorities and public bodies, to share risk and reward

**Widen our work in the areas we operate in**
- Enable economies of scale through targeted development opportunities

## EFFECTIVELY MANAGE OUR EXISTING HOMES AND PLACES

**Proactive management**
- Use sophisticated data to predict and resolve maintenance issues before they become problems

**Use data to shape decisions**
- Utilise data and analytics to decide when homes should be refurbished, redeveloped or sold

**Hidden homes**
- Transform redundant spaces into housing

**Safe and secure**
- Ensure our homes are safe and meet all new and existing fire safety requirements

**Sustainable**
- Build homes which are energy efficient, affordable and meet new performance standards

## KEY PRIORITIES TO 2021

As we start our new Corporate Strategy 2020-25, we have set out some specific aspirations for the year ahead.

**Deliver customer-led services for residents and communities**

- Achieve overall customer satisfaction of 83.5% (weighted target from Customer Contact Centre, Complaints and Repairs)
- Ensure all customer experience teams undergo 'Customer First' training
- Deliver a £7 million social value target

**Protect and grow our business**

- Design and build phase 3 of our Fit for the Future programme incorporating a clear assessment of outcomes delivered, including £4.6 million of benefits from 2022/23
- Deliver 1% increase in core business margin annually
- Achieve headline social housing management cost per unit below the mean of our G15 peer group
- Ensure the diversity of our talent pool is increased and reduce the Group gender pay gap

**Provide new high-quality homes and places**

- Our current plans are to deliver on average 1,200 units per year over our 2020-25 strategy period but this will continue to be under constant review by the Board, factoring in the ongoing economic uncertainty caused by the coronavirus pandemic
- Deliver a pipeline programme split between:
  - 40% private sale
  - 60%, equally shared between affordable rent, private rent and shared ownership
- Ensure next two years of pipeline of completions is in place at the end of the year

**Effectively manage our existing homes and places**

- Achieve median standard repair period of 15 days
- Ensure that energy and sustainability is embedded across the organisation, helping to demonstrate carbon reduction credentials as well as enhance our value for money and efficiency

# Governance and regulation

## BOARD AND COMMITTEE STRUCTURE

The Group's governance structure, in place since April 2017, is set out below. The Customer Advisory Panel sits outside the formal decision-making structure and any key decisions relating to customer strategy or policy changes are made by the Group Board. These committees are made up of Board members and independent committee members (see page 123).

| | REMIT | KEY AREAS OF WORK COMPLETED DURING THE YEAR |
|---|---|---|
| Group Board | Leads the Group, oversees its activities and sets the Group's vision, strategies, plans and resources and directs its business. The Board's primary responsibility is the protection of the Group's assets, ensuring they are used to fulfil the organisation's objectives. The Board exercises effective control across the Group to enable it to achieve its objectives and ensure that it acts lawfully and in accordance with generally accepted standards of governance, performance and probity.<br><br>The Group Board oversees the work of each Committee and is responsible for establishing each one's terms of reference.<br><br>The Board approves the strategy and supporting plans in which the committees and panels operate. Anything that falls outside of a Board approved strategy is brought back to the Board to approve or reject. | • Approved the Corporate Plan 2020-25 which embeds the goals and enabling KPIs required to support the delivery of the Group's Corporate Strategy<br>• Approved the Group Budget for 2020/21 incorporating Value for Money targets<br>• Reviewed a new joint venture opportunity and recommended further negotiations leading to improved terms<br>• Oversaw, through the Treasury Committee, the establishment of a robust, long-term financial forecast which considers the current coronavirus pandemic and has shown the Group's financial position to be sound despite the triggering of a range of adverse scenarios started by the pandemic<br>• Reviewed the annual Assurance Report and confirmed compliance with the Group's regulatory and legal obligations, following the Audit, Risk and Assurance Committee's recommendation |

| | REMIT | KEY AREAS OF WORK COMPLETED DURING THE YEAR |
|---|---|---|
| **Audit, Risk and Assurance Committee** | Oversees the systems of internal control, risk management, and the external and internal audit functions for the whole Group to ensure that these functions are effective and well managed. This also includes responsibility for the oversight of performance of the compliance areas of health and safety, insurance and procurement.<br><br>Provides assurance to the Group on performance for all landlord services provided to the Group's homes and residents, ensuring legal, regulatory and performance requirements are met. | • Approval of the revised Strategic Internal Audit Plan 2020–2023 and Operational Internal Audit Plan 2020/21 and the approval of the External Audit Strategy<br>• Oversaw the completeness of 2018/19 external audit<br>• Oversaw the development of the emerging issues log to anticipate potential risks<br>• Completed four deep dive risk reviews covering health and safety, Fit for the Future programme, customer experience and data protection/cyber security<br>• Monitored the compliance action plans for Landlord health and safety areas, following review by the Health and Safety Executive<br>• Ongoing monitoring of the Group's Fit for the Future programme with a Committee Member providing a key link between the Executive Director of Change & IT, the Committee and Board |
| **Treasury Committee** | Responsible for ensuring effective management of the Group's treasury function and ensuring the Group has adequate funding in place to support the delivery of the Group's strategy.<br><br>The Committee oversees the completion and review of the Group's Treasury Strategy, Treasury Policy and Long-Term Financial Forecast (LTFF).<br><br>The Committee acts as the Board for A2Dominion Treasury Limited and A2Dominion Housing Finance Limited. | • Oversaw the replacement of facilities and funding to maintain the cash buffers set by the Group Board<br>• Expansion of the existing investor base ensuring currency exposure is limited<br>• Annual renewal of the EMTN programme, with new issues made<br>• Continuing to focus on, and recommendation to the Board of, internal Group borrowing limits and on-lending limits to subsidiaries<br>• Approval of the annual Treasury Strategy |
| **Governance and Remuneration Committee** | Oversees matters relating to governance, ensuring that governance across the Group is robust and complies with regulatory requirements.<br><br>The Committee also oversees the remuneration of staff, board and committee members within the Group and has responsibility for monitoring, regulating and approving remuneration and pension policies. | • Approval of the annual Governance Report including self-assessment against the Regulatory Code<br>• Approval of key actions in relation to the Pension Strategy and management of related risks<br>• Setting the terms for the tri-annual External Governance Review<br>• Setting the targets for the Group's variable pay scheme and reviewing performance and awards for the previous year<br>• Annual review of Executive Management team's terms and conditions |



| | REMIT | KEY AREAS OF WORK COMPLETED DURING THE YEAR |
|---|---|---|
| **Development and Property Panel** | Responsible for overseeing the delivery of the Land and Development Strategy and the Asset Management Strategy on behalf of the Group Board. This Executive-led Panel approves development schemes and the stock investment programme and monitors delivery of the development programme in line with the Group Board approved strategy.<br><br>The members of the Panel, which include industry specialist Non-Executives, also act as the Board for the Group's development subsidiary A2Dominion Developments Limited. | • Enhancement of the reporting processes introducing gateway reporting against stages within a scheme's development cycle<br>• Review of commitments and identification of schemes to dispose of<br>• Key schemes approved<br>• Monitoring of the delivery of the development programme, maintaining oversight of the commitments to the GLA programme<br>• Ongoing assessment of cashflow forecasts linked to surplus forecasts with actions agreed to remain within Board approved internal limits |
| **Customer Advisory Panel** | Reviews and comments on the Group's transformation roadmap and customer experience strategy to drive customer experience improvements aligned to the business plan.<br><br>The Panel acts as a sounding board on the approach to key changes to customer communication to help A2Dominion ensure all written, verbal and digital communication with customers and communities is clear, improves access to services and a positive experience, including the Customer Annual Report.<br><br>It also maintains and evolves the Group's Resident Involvement Framework, including the monitoring of involved residents to ensure they are representative of the Group's residents and customers. | • Undertook a review of services provided to vulnerable people and developed a vulnerable person's policy<br>• Ongoing review of customer services within other organisations to determine how these might be applied within A2Dominion<br>• Improved the use of benchmark data<br>• Assisting in redeveloping the Group's customer satisfaction KPIs<br>• Revision of the Resident Involvement Framework<br>• Shaping resident communications, including the Customer Annual Report and Fire Safety information to residents of tall buildings |

In line with the Group's adopted Code of Governance, the Group commenced its tri-annual External Governance Review in November 2019. The findings were reported to the Board in April 2020. The review suggested a number of enhancements and an internal working party has been established to oversee the recommendations which the Board considered in June 2020. This working party, which consists of four Board members, will lead on delivering the actions throughout 2020/21.

# Risk management

The Group's Risk Framework, approved in March 2019, sets out its approach to risk management. The Group's definition of risk is "the combination of the probability of an event and its consequence". In essence, events that would hinder the Group from achieving its strategic objectives.

The Group operates an integrated register of key and sub-risks linked to the Group's strategic objectives. The register sets out the description of the risk, what events may trigger the risk and what the impacts on the Group might be. To help manage the likelihood or impact of each risk, the register also sets out the controls in place against three lines of defence and each risk is set against the context of the Board's appetite for the risk and the current and target exposure to the risk.

The Group's approach to risk management rests on four principles:

| AIM | HOW THIS IS ACHIEVED |
|---|---|
| **Effectively identifying and mitigating key business risks to support the continued viability and success of the Group.** | • Annual review of our Corporate Plan by the Executive Management team and the Board<br>• Monthly review of Risk Registers by the Executive Management team<br>• Quarterly review of the Risk Register by the Audit, Risk and Assurance Committee (ARAC) and the Board supported by quarterly reviews carried out by each Committee and Panel of those risks specific to them, including a review of actions for risks outside appetite<br>• Quarterly deep-dives of a specific risk by the ARAC<br>• SMART actions for each risk linked to timescales<br>• Internal audit programme linked to risks<br>• Use of an emerging issues log to monitor potential risks |
| **Embedding risk management throughout the organisation by keeping it real for managers.** | • Single unified Risk Register in place<br>• Each risk has an owner and sponsoring committee<br>• Quarterly compliance testing programme with actions monitored<br>• Risks directly linked to corporate objectives |
| **A simple and efficient risk management process that is proportionate to the needs of the business and easy for managers and the Board to operate.** | • Register cuts across entire Group<br>• Feedback from managers on use of risk assessment process<br>• Monthly reporting against risk trigger measures |
| **A risk management process that adds value to the business.** | • SMART actions against agreed timescales<br>• Opportunities identified with risk assessments embedded<br>• Review Risk Management Policy annually |

Risk management supports the achievement of business objectives by:

- Enhancing the quality of decision making, planning and prioritisation
- Contributing to effective allocation of resources
- Protecting and enhancing the Group's financial viability, assets and reputation.

In the last year the Group has adopted three new measures to enhance and strengthen its management of risks:

**Deep dive reviews:** The ARAC now undertake a quarterly deep-dive review of a strategic risk to explore the controls in place, their impact and agree any actions required to further improve the controls in place. These reviews have also led to the identification of controls in place not previously captured and a refining of the risk definitions to match the Group's current and future operating environment. The Group Risk Register is updated to reflect the changes agreed by the ARAC from the review, and relevant changes are shared with other committees and panels in the Group.

**Compliance checks:** The Group's internal auditors undertake a range of compliance checks against key risk areas within the Group each quarter. These provide ongoing checks of the effectiveness of the internal control environment and adherence to agreed policies and procedures. The results are reported to the ARAC, along with any recommendations. The actions are tracked and any fundamental recommendations are followed-up via the next quarter's review.

**Emerging issues log:** The aim of the emerging issues log is to help monitor events and capture potential implications of the changing environment in which the Group operates, allowing the Board to consider what, if any, response, is necessary. This helps pre-empt new issues and minimise their impact in advance. The log is used to monitor actions to manage the emerging issue and the ARAC then determine those issues that need to transfer on to the Group's Risk Register. The log is also used by the Group's other committees and panels to review those issues that are specific to them, as well as to identify any new issues to be added and monitored.

As a result of its growth plans and the rapidly changing environment in which it operates, effective risk management is a Group priority. In order to grow and improve services, the Group recognises it needs to take some risks but these must be well managed and have appropriate controls and mitigations in place. The Board reviews its risk appetite statement annually. This identifies the main risk areas for the Group and provides clarity on how much risk A2Dominion is willing to take. The Board also receives reviews of regulatory downgrades amongst other providers. This helps ensure that the Group has appropriate governance arrangements in place to provide assurance. Where the current and future risk rating falls outside of the Board's appetite, action plans are established. The ARAC receives updates on actions at each meeting and provides constructive challenge around these actions and timescales to ensure appropriate progress is made.

The Group tests its financial resilience to risk by running a range of multi-variate stress-testing scenarios against its Long-Term Financial Forecast (LTFF). These test, amongst other things, liquidity, covenant compliance and adherence to the Board's limits for borrowing and on-lending. These tests help provide assurance that the Group has robust arrangements to protect social housing assets. These tests include a review of the financial mitigations in place to ensure they remain appropriate to manage the financial impact that the scenarios may cause.

The Group has also tested its financial and operational resilience given the implications of the current coronavirus pandemic. Whilst the situation is ongoing, using prudent assumptions the Board has been able to assess that this protection of the Group's social housing assets continues alongside the ability to continue to deliver key services to its customers.

The tables below show the key strategic risks within the Risk Register which the Group considers to pose a threat to its delivery of its strategic objectives:

## DELIVER CUSTOMER-LED SERVICES – LISTENING TO OUR CUSTOMERS AND THE QUALITY OF OUR SERVICES

| Key risk area | Key controls in place | Actions and plans |
|---|---|---|
| **Failure to listen, adapt and respond to the changing needs of our existing, new and prospective customers** | • Customer experience plan incorporated into Corporate Strategy 2020-25 with customer-led services listed as the first Group priority<br>• Complaints policy and escalation procedure in place<br>• Monthly recording and reporting of complaints lessons learnt<br>• Survey programme for key service areas and service satisfaction KPI targets in place<br>• Trend analysis and reporting including external benchmarking<br>• Customer insights and involvement framework<br>• Customer journey monitored through satisfaction surveys<br>• Monthly resident feedback monitoring reports using resident satisfaction and feedback responses<br>• Knowledge management system updated following customer feedback<br>• Use of customer-relationship management software<br>• Monitoring of improvement action plans<br>• Process for tracking social media comments and responding, where appropriate, informing lessons learnt<br>• Updated customer website and portal to enable customer feedback to be captured | • Complaints and customer engagement internal audit<br>• Great Places to Live programme, to improve schemes using customer feedback<br>• Review customer insight and involvement framework<br>• Introduce a customer effort KPI<br>• National Housing Federation Together with Tenants early adopter programme allowing the future alignment of policies and procedures<br>• Customer experience plan bi-annual review, incorporating Customer Advisory Panel and resident feedback<br>• System changes for complaints handling and improved survey handling<br>• Annual review of staff skills matrix<br>• New Customer First training programme currently in development |
| **Failure to have adequate awareness of safeguarding incidents and thereafter to respond in line with statutory duties** | • Safeguarding adults/children/mental capacity policies<br>• Whistleblowing policy<br>• Safeguarding training completed for key staff and Board members<br>• Safeguarding Risk Register<br>• Quarterly reporting of safeguarding alerts to ARAC<br>• Case management system<br>• Communication cascade to staff and tenants | • Safeguarding internal audit<br>• Embed safeguarding requirements in supply chain contracts where appropriate<br>• Review safeguarding training |

## PROTECT AND GROW OUR BUSINESS

| Key risk area | Key controls in place | Actions and plans |
|---|---|---|
| **A significant failure to achieve compliance with health and safety regulations** | • Health and safety governance arrangements in place (Health and Safety Executive Committee)<br>• Health and safety compliance audit and training programmes<br>• Health and Safety Policy and procedures reflecting current legislation<br>• Priority issues register reviewed quarterly<br>• Quarterly compliance testing via internal audit on landlord health and safety areas<br>• Crisis management plan for serious health and safety incidents<br>• Bi-ennial review of Health and Safety Policy<br>• Asbestos Framework(s) and survey information on Lifespan<br>• Lessons learnt included in Annual Assurance Report<br>• Monthly estate inspections for high-risk blocks<br>• Recording of risk assessment<br>• Accident management system and tracker | • Water safety internal audit<br>• Corporate health and safety internal audit<br>• Asbestos management internal audit<br>• Gas Safety internal audit<br>• Electrical safety internal audit<br>• Implement recommendations from Strategic landlord health and safety internal audit<br>• Monitor future legislative changes relating to health and safety as a result of the UK leaving the EU and Customs Union |
| **Failure to prioritise and implement fire safety work (remediation and future)** | • Bi-monthly fire safety action group<br>• In-house fire safety conferences completed to raise awareness of fire safety<br>• Priority Issues Register reviewed quarterly<br>• Crisis Management Plan for serious incidents<br>• External contractors and consultants to provide assurance that safety of blocks is ensured and maintained<br>• Programme of Fire Risk Assessments (FRA) and actions tracked<br>• Tall building action group overseeing resident communications and programme of upgrades<br>• A communication strategy for residents<br>• Three-step process of FRA of tall building agreement<br>• Approved revision to electrical testing programme from 10 years to 5 years | • Fire safety internal audit<br>• Delivery of the remediation programme arising from tall building action group priorities<br>• FRA cycle review<br>• Electrical testing and remediation programme<br>• Mobilisation of the delivery of the FRA programme by the repairs joint ventures<br>• Monitor advice/guidance from the London Fire Brigade/Ministry of Housing, Communities and Local Government with respect to the impact to development and maintenance costs arising from the Hackitt Report |

| Key risk area | Key controls in place | Actions and plans |
|---|---|---|
| **Failure to implement effective internal controls and fraud prevention measures** | • Pre-employment checks undertaken<br>• Good Repute Standards Policy<br>• Anti-fraud & Corruption Policy<br>• Whistleblowing Policy and investigation guidelines<br>• Annual internal audit programme<br>• Annual Internal Controls Assurance Statement<br>• External audit controls testing<br>• Probity Register<br>• Annual Fraud Risk Assessment<br>• Periodic fraud and compliance briefings | • Fraud resilience and awareness internal audit<br>• Purchase to payment internal audit<br>• Compliance programme awareness/publicity<br>• Risk management presentations to leadership groups |
| **Ineffective governance, collection, processing, management and security of personal data held by A2Dominion** | • Data controller log of Group-wide processing activities<br>• Group-wide mandatory annual GDPR training<br>• Data protection impact and legitimate interest assessments conducted for high-risk processing and to confirm legal basis for processing<br>• Spot check on subject access request process completed<br>• Yearly renewal of organisation's registration with the Information Commissioners Office (ICO)<br>• Data breach incident log<br>• Breach investigation summary report to escalate data breaches<br>• Lessons Learned Process supported by training allocated on a case-by-case basis for employees engaging in recurring breaches<br>• Data retention policy and schedule recording the timeframe to hold data<br>• Impact Assessment by design conducted to highlight and mitigate data protection risks<br>• Consent process to obtain personal data from customers and stakeholders | • Revision of data protection training<br>• Data protection compliance monitoring programme<br>• Data compliance spot checks<br>• Data protection internal audit<br>• IT resilience and disaster recovery planning internal audit<br>• Roll out data, loss and prevention software<br>• Review and update GDPR guidance on intranet<br>• Review marketing activity by A2Dominion teams |
| **Compromising our financial viability** | • Treasury Management Strategy in place<br>• Assessment and authorisation of investments and borrowings decisions<br>• Internal limits on liquidity, borrowing levels and covenants<br>• Covenant forecast and monitoring in place<br>• Financial covenants, i.e. gearing and interest cover<br>• Non-financial covenants, i.e. timely completion of returns to lenders<br>• Review of monthly Management Accounts | • Treasury management internal audit<br>• Annual stress testing cycle<br>• Annual rating agency review |

| Key risk area | Key controls in place | Actions and plans |
|---|---|---|
| **Failure to ensure the Group has the right skills and experience at Board and Executive level** | • Annual review against Code of Governance<br>• Governance Improvement Plan<br>• Annual appraisal process for Board and Executives<br>• Annual assurance statement and effectiveness reviews<br>• External governance review undertaken<br>• Skills and succession planning process agreed by the Board | • Governance and risk management internal audit<br>• Implement recommendations from the External Governance Review<br>• Creation of a Board working group<br>• Implement the succession planning actions |
| **Failure to be able to operate the business in a stressed state** | • Business Continuity Plan and annual testing cycle<br>• Procedure in place for invoking crisis or incident management team<br>• Departmental business impact assessments<br>• Mirrored disaster recovery systems in place<br>• Applications are continuously monitored by automated tools and the service delivery team<br>• IT Strategy in place for implementation of new applications to improve reliability and performance<br>• Liquidity buffers established and financial mitigations in place | • Implement recommendations from business continuity scenario test<br>• Cyber security internal audit<br>• Business continuity planning internal audit<br>• Liquid asset project |
| **Failure to deliver internal growth and existing strategy** | • Corporate Strategy 2020-25 and supporting Corporate Business Plan in place<br>• Strategic KPIs reported quarterly and enabling KPIs reported monthly<br>• Reward scheme objectives linked to Corporate Strategy delivery<br>• Board Annual Strategy Review | • External communication of Corporate Strategy 2020-25<br>• Annual strategy review by the Board<br>• Supporting enabling plans to be developed<br>• Value for Money Statement review |
| **Failure to form or secure the appropriate mergers and acquisitions and partnerships to support growth** | • Joint Venture and Partnership Strategy<br>• Partnership criteria and process agreed by the Board<br>• Group and entity treasury implications established<br>• Market review of potential opportunities completed | • Develop a targeted approach for potential partnerships<br>• Increase internal work programme to be delivered by Pyramid Plus joint ventures<br>• Review options for provision of services to other organisations |
| **Lack of investment returns associated with venturing into new business development plans and partnerships** | • Business cases for new activities and investment<br>• Investment criteria established<br>• Ongoing trial of a retirement and private care scheme<br>• Appraisal assumptions set and reviewed annually<br>• Group Investment Policy in place | • Assess results of retirement living trial<br>• Review development and management opportunities around the existing areas of operation<br>• Development joint venture hurdle rate review<br>• Governance and risk management internal audit |

## PROVIDE NEW HIGH-QUALITY HOMES AND PLACES

| Key risk area | Key controls in place | Actions and plans |
|---|---|---|
| **Lack of understanding and appropriate response to changes in the global economic environment could impact on the delivery of corporate strategy** | • Treasury Management Strategy and Policy<br>• Prudent assumptions used in the Long-Term Financial Forecast (LTFF) and annual budget<br>• LTFF sensitivity analysis and scenario stress testing<br>• Treasury controls and triggers for on-lending limits, gearing and interest cover covenants, cash buffer and overall borrowing cap<br>• Development scheme appraisals assumptions set annually<br>• Liquid asset register<br>• Monthly cashflow and management accounts reporting | • Treasury management internal audit<br>• Deep-dive risk review of treasury risk<br>• Annual review of Budget and LTFF assumptions<br>• Update stress testing scenarios using emerging issues log |
| **Lack of capacity to withstand or absorb changes in local and national Government policy on housing, rents and/or welfare reforms** | • Monthly KPI reporting on income collection<br>• Risk trigger for arrears target level<br>• Tenancy Sustainment team providing welfare reform expertise<br>• Rent prediction software<br>• Membership of National Housing Federation providing policy insights | • Implement recommendations from January 2019 rent arrears spot check (Partially completed – one recommendation to be addressed in Fit for the Future)<br>• Tenancy Management internal audit<br>• Rent arrears and welfare Reform internal audit<br>• Service charges and Sinking Funds internal audit<br>• Voids management internal audit |
| **Scheme delivery targets not being met in line with our agreed land strategy and programme** | • Review of end-to-end programme as part of the key stage meetings<br>• Risk management review at pre-purchase stage<br>• Monthly meetings held to review pipeline and potential new developments<br>• All contractors and partners are assessed financially and performance on current schemes checked before appointment<br>• Directly employed contracts managers to monitor main contractors and partners throughout the construction phase for quality, safety and programme delivery<br>• Directly employed quality managers to monitor build quality through the construction phase and to assist with the handover of properties<br>• KPI reporting of development programmes against original timescales<br>• Cost, sales revenue and programme sensitivity included in new scheme appraisals<br>• Monitoring by the Development and Property Panel of cost and profitability of schemes and levels of work in progress<br>• Gateway reviews at key development stages providing ongoing lessons learnt opportunities | • Implement procurement and supply chain internal audit recommendations<br>• Shared ownership and sales internal audit<br>• Implement performance management and KPIs internal audit recommendations<br>• Review of Land and Development Enabling Plan<br>• Annual review of appraisal assumptions |



## INVESTING IN HOMES AND LOCAL COMMUNITIES

| Key risk area | Key controls in place | Actions and plans |
|---|---|---|
| **Failure to protect and maintain our social and charitable ethos** | • Financial assumptions for repairs and maintenance included in the LTFF<br>• Asset Management Strategy 2016-2021<br>• Annual asset work programmes for planned and cyclical maintenance<br>• Assets assessment factors both financial and non-financial performance components, including charitable objects and social value<br>• Charitable objectives are explicitly considered in all investment reports<br>• Specific project Risk Register for tall and complex buildings project | • Strategic asset management internal audit<br>• Strengthened compliance function within Property Services<br>• Asset performance standard reporting and KPI development |

*Westvale Park, Reigate and Banstead*

# Financial performance summary

In 2019/20, the Group delivered a surplus of £19.5 million. This is below the level of surplus delivered last year as a result of movement in the fair value of properties and financial instruments, a decrease of £15.9 million between the years. As a result of lower interest receivable, the net interest charge has increased during 2019/20.

| GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE | 2020 | 2019 |
|---|---|---|
| | £m | £m |
| Turnover | 320.4 | 372.2 |
| Cost of sales | (66.1) | (128.4) |
| Operating costs | (192.1) | (190.2) |
| Surplus on sale of fixed assets | 9.4 | 9.7 |
| Share of jointly controlled entity operating surplus | 8.7 | 2.5 |
| **Operating surplus** | **80.3** | **65.8** |
| **Operating margin** | **25.1%** | **17.7%** |
| Net interest charges | (58.2) | (52.5) |
| **Surplus after interest charges** | **22.1** | **13.3** |
| Change in fair value of investments | 0.5 | 0.3 |
| Movement in fair value of financial instruments | (0.1) | 2.7 |
| Movement in fair value of investment properties | (3.9) | 9.2 |
| Tax on surplus on ordinary activities | 2.0 | (0.3) |
| Non-controlling interest | (1.1) | (1.3) |
| **Surplus for the financial year** | **19.5** | **23.9** |

The Group's outturn has been below its targeted position.

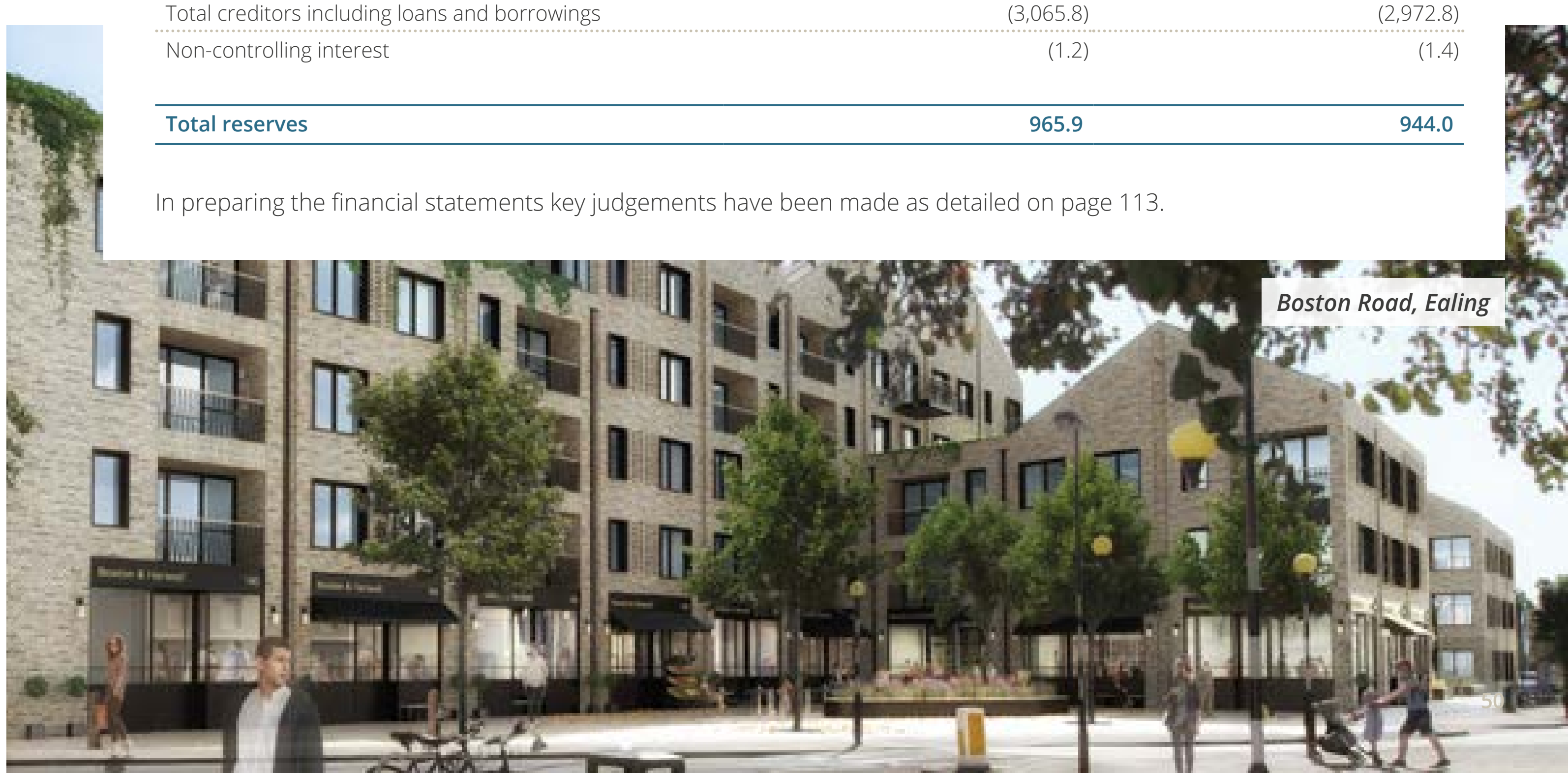
| | ACTUAL 2020 | TARGET 2020 |
|---|---|---|
| | £m | £m |
| Operating surplus | 80.3 | 96.3 |
| Operating margin | 25.1% | 26.2% |
| **Surplus after interest charges** | 22.1 | 43.5 |

The £16 million fall in operating surplus from the target is a result of lower property sales and an increase in development costs not capitalised of £14.9 million and a reduction in net realisable value of development schemes. These factors flow into the £21.4 million fall in net surplus from the £43.5 million targeted, along with £5.7 million of additional interest payable expensed due primarily to later starts within the development programme (the Group only capitalises interest against development schemes at the point of start on site).

The organisation remains financially robust and continues to deliver a healthy financial performance from its core business, with a social housing margin of 34%, above the average achieved in the Group's benchmark group (page 57).

| GROUP STATEMENT OF FINANCIAL POSITION | 2020 | 2019 |
|---|---|---|
| | £m | £m |
| Other fixed assets and investments | 3,575.6 | 3,408.8 |
| Current assets | 457.3 | 509.4 |
| Total creditors including loans and borrowings | (3,065.8) | (2,972.8) |
| Non-controlling interest | (1.2) | (1.4) |
| **Total reserves** | **965.9** | **944.0** |

In preparing the financial statements key judgements have been made as detailed on page 113.


*Boston Road, Ealing*

# Operational performance summary

One of the mechanisms in place to ensure the Group delivers its strategic objectives is A2Dominion's performance management framework. A number of key performance indicators are used to monitor the achievement of the Group's strategic objectives. These are reported and reviewed on a quarterly basis by senior management and the Board and aligned to the Group's four business objectives:

| OPERATIONAL PERFORMANCE AREA | PERFORMANCE INDICATOR | TARGET PERFORMANCE 2020 | ACTUAL PERFORMANCE 2020 | ACTUAL PERFORMANCE 2019 |
|---|---|---|---|---|
| Providing new quality homes and places | Sales receipts against projection | £81.7m | £63.2m | £118.0m |
| | No of units in development forecast to complete in the next two years | 2,400 | 2,489 | 1,771 |
| | New homes completed over past two years (including joint venture units) | 1,800 | 1,290 | 1,829 |
| Delivering customer-led services | Overall satisfaction with service received from the Customer Service Centre | >82.5% | 72.8% | 80.8% |
| | Overall satisfaction with responsive repairs service | >85.0% | 87.0% | 89.9% |
| | Rental arrears – general needs homes | <3.5% | 3.8% | 3.3% |
| | Re-let turnaround times | <17 days | 21 days | 19 days |
| Investing in homes and local communities | No. of homes refurbished (planned works) | 701 | 349 | 582 |
| | Decent Homes compliance | 100.0% | 99.8% | 99.7% |
| | No. of homes with a valid gas safety record | 100.0% | 99.9% | 100.0% |
| | Interest cover (excluding sales and surplus from joint venture) | >120.0% | 139.0% | 137.2% |
| Strengthening our business | Results vs. budget – net surplus | > £43.5m | £19.5m | £23.9m |
| | Staff turnover | <13.0% | 15.1% | 11.1% |
| | Staff sickness levels | <6.0 days | 5.3 days | 5.5 days |

We completed 415 homes in the financial year, giving a total of 1,290 homes delivered in the last two years. This year was always forecast to be a lower output year based on where we are within our development cycle. However, we have started building 1,401 new homes for completion in future years and have secured sites for 6,392 homes over the next five years and beyond. Due to a more challenging market, sales receipts have dropped below the target by £18.5 million. Our standing stock levels, homes built but not sold, at the end of the year was still relatively low at 30 homes.

Rental arrears were impacted right at the end of the year by the coronavirus pandemic, which made it harder for some of the Group's residents to manage all of their rental payments. The below target performance on customer satisfaction with Customer Contact Centre services was impacted by the release of changes to the supporting IT systems and linked resourcing issues. Since the year-end the Group has seen Customer Contact Centre service satisfaction return towards target levels. Going forward, a more robust go-live process has been agreed to minimise customer impact from future releases. The Group's responsive repairs joint venture subsidiaries, Pyramid Plus, have helped to achieve a significant improvement in reducing the levels of repeat contact from customers. This is reflected via the overall satisfaction with the Group's repairs service, although below last year, but the result is still above target at 87% at the end of the year.

Re-let turnaround times remained steady compared with last year but fell just below the Group's target due to delays in tenancy sign ups. Whilst the performance on gas safety is below the target of 100%, the Group is fully compliant with its legal responsibilities. The main reason why this target was not met during the year was due to access issues. At the end of the year seven properties were overdue due to non-access, all of which are being progressed through the necessary legal processes.

The number of homes refurbished fell below the target for the year. This was partly due to the late start of the planned programme and the level of dropouts from residents who requested the work be carried into future years. The on-site condition surveys also meant that less work was carried out than originally planned. Performance is still below the Group's Decent Homes target of 100%. At the end of the year, non-compliant properties have reduced to 52, of these 13 have had works refused by the residents and one was sold in May. The remaining 38 out of 52 were scheduled to have work completed during the first quarter of 2020/21 but these have been slightly delayed by the current coronavirus measures.

Staff sickness levels have reduced compared with the previous year and have remained below the target. The increase in turnover above our target has been investigated and, whilst it cannot be attributed to any particular cause, as the Group-wide change programme has progressed, we have begun to see a slight increase of turnover in some areas. However, the introduction of a more effective performance framework has ensured we have retained the skills and talent needed to support the delivery of our Corporate Strategy over the next five years.

*Beechwood Grove, Reading*

# Value for money

Delivering Value for Money (VfM) is a core goal for the Group. Our business success is strengthened by our ability to achieve our VfM objectives, from our central and operational services through to our commercial activities. VfM is not about minimising cost but achieving more from our activities and investments, as well as enabling the Group to provide homes that meet a wide range of needs. This VfM section of our Annual Report complies with the requirements of the VfM regulatory standard set out by the Regulator of Social Housing (April 2018) accompanied by the Code of Practice.

## APPROACH

2019/20 is the last year of the Group's current VfM strategy, which covered the period from 2015-20. This strategy embedded five fundamental objectives that have provided a comprehensive framework for delivery.

- Maximising income and the use of Group assets
- Maximising VfM through a range of procurement and joint venture approaches
- Ensuring efficiency and simplicity across all business activity
- Working with customers to prioritise investment in services and communities
- Ensuring that managers understand and are accountable for delivering return on investment, and that the Group has a well-developed culture for achieving and demonstrating VfM

To achieve this, we will focus our VfM efforts on:

- Building our capability through our Fit for the Future programme to:
  - Improve customer experience by improving the quality and access to our services
  - Introduce new technology, digital and online services, reducing the cost of services and improving ways of working
  - Provide development opportunities for our staff to ensure our organisation is an industry expert in integrated and efficient service delivery.
- Expanding our commercial activities to generate surpluses for reinvestment in our social purpose programme
- Improving procurement processes and applying VfM criteria through all our major areas of expenditure
- Developing our asset management activities to maximise the return on our existing and future investments

# PERFORMANCE OVERVIEW

We strive continuously to improve on our track record of achieving our overall Value for Money performance objectives. Our judgement is that we comply with the regulatory requirements, as set out in the Regulator of Social Housing's VfM standard. Our fulfilment of the regulatory requirements is set against our VfM objectives and demonstrated as headline results for our performance over the last year.

## MAXIMISING INCOME AND THE USE OF GROUP ASSETS:

- Increase in operating surplus of 21.9% when compared to 2018/19.
- Investment criteria for new homes were all met:
  - Affordable rented homes: year one interest cover within subsidy maximum limit of £120,000 was delivered
  - Private rented homes: target net yield of 3.5% exceeded, achieving 4%
  - Shared ownership: target margin of 20% exceeded, achieving 31.7%
- Non-social lettings increased turnover by 19.5% and operating margin by 14.4%
- Maintaining the operating investment return in social housing and the shared ownership portfolios

| PROPERTY PORTFOLIO | NET ASSETS EMPLOYED | ANNUAL RENTAL TURNOVER | ANNUAL OPERATING SURPLUS | OPERATING RETURN 2019/20 | OPERATING RETURN 2018/19 | OPERATING RETURN 2017/18 |
|---|---|---|---|---|---|---|
| | £M | £M | £M | | | |
| Social housing | 2,175.9 | 185.1 | 56.6 | 3% | 3% | 3% |
| Shared ownership | 302.7 | 22.3 | 14.7 | 5% | 5% | 5% |
| Non-social housing | 470.3 | 32.8 | 20.7 | 4% | 3% | 5% |

## MAXIMISING VFM THROUGH A RANGE OF PROCUREMENT AND JOINT VENTURE APPROACHES:

- Achieving savings of £11.5 million against a target of £8.3 million, by continuing to build on savings in overhead costs, procurement and benefit realisation of projects within our strategic work programme. Savings across the business since 2015 now total £41 million.
- Savings from operating efficiencies and improved performance delivered from our repair and maintenance joint ventures, managed via Pyramid Plus. Compared to outsourcing, this approach has saved £1.4 million this year and customer satisfaction with the repairs service of 87% exceeded our target of 85%.
- The Group has continued to work with third parties to create collaborative development partnerships, forming joint ventures to deliver new housing schemes. Since 2015, our share of surpluses from these joint ventures has delivered £56.2 million to the Group with £8.7 million in the current year.

## ENSURING EFFICIENCY AND SIMPLICITY ACROSS ALL BUSINESS ACTIVITY:

- The investment by the Group into ensuring efficiency and effectiveness of all our business activities continues. Following on from the launch of the digital knowledge database in 2017, our Customer Contact Centre went live in December 2018 as part of the first phase of the Fit for the Future change programme and the second phase went live in August 2019, which included the core finance system. These are the first steps in enabling a fully integrated IT system that will incorporate the housing systems in the third phase and an asset system in the fourth phase. This will enable streamlining of our processes as well as a one-source system for all our core data.

## WORKING WITH CUSTOMERS TO PRIORITISE INVESTMENT IN SERVICES AND COMMUNITIES:

- We continue to invest time and resources within our local communities, securing £6.3 million for our customers in extra support payments during the year. £1.6 million was invested in our community investment activities and £0.6 million was raised to develop our services for customers, engaging with 7,500 people through these programmes.
- Key community programmes in health, employment, increasing financial capabilities, enterprise and education continue to attract significant attendance from our customers.
- Our commitment to investing in upgrading and maintaining our existing homes continues with a further £31.1 million of investment in 2019/20 (2018/19: £32.9 million).

## ENSURING MANAGERS UNDERSTAND AND ARE ACCOUNTABLE FOR DELIVERING RETURN ON INVESTMENT AND THAT THE GROUP HAS A WELL-DEVELOPED CULTURE FOR ACHIEVING AND DEMONSTRATING VFM:

- Financial outputs including unit cost targets are included within team objectives, collated using benchmarking outputs.
- All investment business cases establish criteria setting targets for both financial and non-financial benefits.

*Suna Lodge, Spelthorne*

# EFFICIENCY INDICATORS

We use a sector-wide efficiency scorecard that has been developed to allow for consistent measures to be used to highlight how an organisation is performing against key efficiency measures. These include the nine measures contained within the VfM Standard set by the Regulator of Social Housing. These indicators provide an overview of the Group's efficiency in relation to business health, development capacity, outcomes delivered, effective and active asset management and operating efficiencies against 2018/19 results for ourselves and the average of the G15 peer group (source: G15 internal benchmarking report). Last year, 2018/19 additional costs of £13.5 million relating to future fire safety works were provided for and so to enable a like for like comparison on our financial measures an additional calculation excluding these costs has been included.

# BUSINESS HEALTH

| INDICATOR | A2DOMINION ACTUALS | | G15 AVERAGE |
|---|---|---|---|
| | 2019/20 | 2018/19 | 2018/19 |
| Operating margin overall[1] excluding fire safety costs | 19.4% | 18.0% | N/A |
| Operating margin overall[1] | 19.4% | 14.4% | 25.5% |
| EBITDA MRI interest cover excluding fire safety costs | 92.7% | 105.9% | N/A |
| EBITDA MRI interest cover | 92.7% | 87.8% | 150.3% |
| Social housing margin | 34.0% | 37.2% | 31.9% |

[1] *Calculation excludes surplus on sale of fixed assets and surplus from jointly controlled entities.*

**Current performance:** The operating margin of the Group has increased when compared against its own prior year result but remains below the peer Group average of 2018/19. EBITDA MRI interest cover has fallen below the Group's prior year result excluding fire and safety and remained below the average in the benchmark group. Both these metrics are the result of lower margins achieved on private sales and adjustments made to the net realisable value of development schemes. This is as a result of changes to planning requirements on some schemes and increases in construction costs. Social housing margin, although down on the previous year's result and slightly below our target of 35%, still demonstrates the performance of the underlying core social housing business which has remained strong and is above the peer group average. This result has decreased due to an increase in management costs due in part to the Group's investment in the Fit for the Future change programme.

**Future performance:** The timing of the completion of new development schemes alongside the investment made into maintaining homes will continue to influence these measures. The operating margin will remain low, influenced by the nature of the developments providing completions in 2020/21, resulting from the impact of higher construction costs and continued sales price stagnation. Targets for the debt to EBITDA MRI ratio were set by the Group's Treasury Committee for 2020 onwards and pro-active asset management activities to support achieving these targets are being undertaken. Over the next couple of years, additional overhead costs for the Group's transformation programme will reduce social margin. By 2023 however this investment will begin to be repaid and the Group's overheads will reduce over time by £4.6 million, helping the overall margin increase at that point.

# DEVELOPMENT CAPACITY

| INDICATOR | A2DOMINION ACTUALS | | G15 AVERAGE |
|---|---|---|---|
| | 2019/20 | 2018/19 | 2018/19 |
| New supply delivered (absolute) | 415 | 875 | 1,095 |
| New supply delivered social housing units (absolute) | 98 | 225 | 739 |
| New supply delivered non-social housing units (absolute) | 317 | 650 | 355 |
| New supply delivered social housing units (as a % of social units owned) | 0.3% | 1.1% | 1.7% |
| New supply delivered non-social housing units (as a % of units owned) | 0.9% | 1.9% | 0.8% |
| Gearing | 59.1% | 55.0% | 44.9% |

**Current performance:** The measures relating to units in development and units developed as a percentage of homes owned reflect the forecast outturn. The phasing of completions within our development programme meant that the current year was always anticipated to be a lower output year. We exceeded our budgeted completions of 357 units, delivering 415. The gearing indicator, as in the prior year, is higher than our peers, reflecting our continued high level of investment in development schemes to provide the future housing supply in the communities that we work in. This measure will also be impacted by the accounting method used amongst our peers along with the age profile of the units.

**Future performance:** Units delivered for both social and non-social housing will begin to increase again as per our development pipeline. The Group is targeting to deliver up to 1,200 homes per year on average over the 2020-25 strategy period, but this will continue to be under constant review by the Board, factoring in the ongoing economic uncertainty caused by the coronavirus pandemic. The Group's continued private rented investment will mean that the Group will continue to have higher gearing levels than our peers who may have less activity in this area. Actions to progress the levels of work in progress will help this measure in the long-term.

# OUTCOMES DELIVERED

| INDICATOR | A2DOMINION ACTUALS | | G15 AVERAGE |
|---|---|---|---|
| | 2019/20 | 2018/19 | 2018/19 |
| Customer satisfaction | 72.8% | 80.8% | 77.3% |
| Reinvestment | 4.3% | 3.8% | 6.7% |
| Investment in communities (absolute) | £3.8m | £3.2m | £3.8m |

**Current performance:** A2Dominion's customer satisfaction measure of 72.8% is a decrease on the previous year and below our target. The performance on customer satisfaction was impacted by the release of changes to the supporting IT systems and associated resourcing issues. The investment in communities represents the running cost to A2Dominion in delivering its community investment projects and the Group's sustained level of investment highlights the Group's continued commitment to our communities and customers. The value of this investment measured through an external social value measurement tool was £10.6 million for 2019/20. The reinvestment result of 4.3% is an increase on the prior year but remains below our peers. We continue to have a higher proportion of investment within current asset work-in-progress reflecting our development delivery activity. Once the schemes that are currently accounted for in work-in-progress complete and move into fixed assets they will be included within this metric.

**Future performance:** The Group has updated its measure for customer satisfaction to reflect key service areas (contact, repairs and complaints), targeting 82.5%. The ongoing improvements to the infrastructure will aid the Customer Contact Centre's operations which will support this achievement. The Group is also developing a customer effort measure which provides a more focussed method to capture our customers' feedback. The Group will continue to support the level of investment necessary in funding the delivery of its community investment projects and is targeting this to deliver up to £12 million of social value annually by 2025.

# EFFECTIVE ASSET MANAGEMENT

| INDICATOR | A2DOMINION ACTUALS | | G15 AVERAGE |
|---|---|---|---|
| | 2019/20 | 2018/19 | 2018/19 |
| Ratio of responsive repairs to planned maintenance | 61.6% | 51.2% | 74.6% |
| ROCE excluding fire safety works | 2.1% | 2.1% | N/A |
| ROCE | 2.1% | 1.8% | 3.1% |
| Occupancy | 99.6% | 98.5% | 98.9% |

**Current performance:** The Return on Capital Employed (ROCE) measure indicates how well A2Dominion is using its capital and debt to generate a financial return. This remains as per last year, but it is still below our peers' 2018/19 average and is as a result of our lower surpluses. The movement in the ratio of responsive to planned repairs of 61.6% has increased year-on-year but remains well below our peers. The increase from last year was the result of an increase in void works and out of scope contract works undertaken. Occupancy has improved and is above our peers' and our prior year results.

**Future performance:** The biggest driver of the movement in ROCE is the level of operating surplus made. The Group will see these levels rise from 2020/21 onwards reflecting a larger contribution of surpluses from our private sale activities. The ratio of responsive to planned repairs will vary each year, driven by the programme of planned works due to be delivered. The Group's planned and major repairs programmes reflect the work required to be done in order to ensure Decent Homes compliance. This means that in some years there may be more work required than in others due to the timing of the replacement of a property's components. Responsive repair volumes remain consistent and we have yet to see an impact of our planned programmes in this area. The occupancy metric is linked to void turnaround times and is monitored and reviewed through monthly operational KPIs to ensure it is maintained at its maximum level.

# OPERATING EFFICIENCIES

| INDICATOR | A2DOMINION ACTUALS | | G15 AVERAGE |
|---|---|---|---|
| | 2019/20 | 2018/19 | 2018/19 |
| Overall social housing cost per unit (£) excluding fire safety work | 4,781 | 4,484 | N/A |
| Overall social housing cost per unit (£) | 4,781 | 4,957 | 5,128 |
| Management cost per unit (£) | 1,602 | 1,408 | 1,273 |
| Service charge cost per unit (£) | 819 | 789 | 815 |
| Responsive maintenance cost per unit (£) | 692 | 602 | 1,224 |
| Planned & major repairs cost per unit (£) | 1,125 | 1,176 | 1,088 |
| Other social housing costs per unit (£) | 543 | 982 | 728 |
| Rent collected* | 101.2% | 99.7% | 99.8% |
| Overheads as % of turnover | 11.7% | 10.6% | 10.4% |

**The rent collected percentage exceeds 100% as it is based on all the collection amounts received in the period for general needs properties and will include payments which have been collected in advance.*

**Current performance:** The results for 2019/20 remain strong for A2Dominion. The overall cost per unit for the social housing activities remains below the 2018/19 peer group figure but has increased compared to the prior year when excluding the fire safety provision. This is a result of the increases in management and maintenance costs. Management costs have risen reflecting the additional resourcing agreed to manage our tall buildings, fire safety programme and tenancy sustainment activities. The investment in these areas delivers VfM for our customers and our organisation, protecting our homes and enabling customers to manage their tenancies more effectively. Consolidating our responsive and planned cost per unit measures, this demonstrates another strong performance against our peer group (£1,817 vs the peer group of £2,312). Rent collected reflects a performance that is in line with our peers. Whilst the last month of the year saw the Group's income collection levels impacted by the coronavirus pandemic lockdown measures, performance has remained close to targeted levels. Overheads as a percentage of turnover is impacted by the Fit for the Future change programme as the Group continues to invest as it moves into phase three of the programme.

**Future performance:** The Group is targeting to perform below average cost compared to its peer group, and has embedded specific targets to be better than the average peer group performance for 2020/21 within its performance framework, particularly in relation to the largest expenditure areas of planned and major repairs and management costs. Strategic procurement will continue to deliver contract savings and help the Group to be certain it is achieving VfM by using market research alongside regularly testing the market. Income maximisation and management remain a key priority and the impact of the pandemic on our customers will need to be supported and may result in temporary increases to our cost base. In the longer-term, the financial benefits from the Group's Fit for the Future programme will help to bring this management cost per unit down from 2023 onwards.

# OUR FUTURE VfM APPROACH 2020-25

VfM is integrated into our Corporate Strategy 2020-25. VfM is no longer captured as a separate strategy but clearly articulated under the Group's strategic goals. To support this new approach, the Board has agreed a clear VfM statement for A2Dominion setting out four VfM priorities that will support and enable the delivery of the Group's four strategic objectives (see page 35). It is through the delivery of these VfM priority areas that A2Dominion will be able to demonstrate performance in relation to its VfM outcomes.

*Beechwood Grove, Reading*

# OUR FOUR VfM PRIORITIES

### TO MAXIMISE A2DOMINION'S INCOME:

- Effective rent collection (target: 2.89% for arrears)
- Support and advice for residents in accessing benefits and grants
- Recovery of service costs
- Extend services to other organisations

### PRO-ACTIVE ASSET AND CAPITAL MANAGEMENT:

- Reinvestment in poorer performing assets, funded via sales from assets that are uneconomical to retain
- Reinvestment in assets to ensure homes are safe for our customers and comply with all legislative requirements
- Actively manage planned and major repair requirements, phasing where appropriate
- Ensure that energy and sustainability is embedded across the organisation building homes which are energy efficient, affordable and meet new performance standards
- Assess the return on investment on our proposed development activity using hurdle rates to inform decision making

### TO IMPROVE OUR FINANCIAL PERFORMANCE TARGET TO MAINTAIN OUR SOCIAL HOUSING MANAGEMENT COSTS AT THE MEDIAN PEER GROUP:

- Target a 1% annual increase to our core business margin each year (target: 26.8%)
- Target for our headline social housing cost per unit to remain within the median level of our G15 peer group (target: below £5,000)
- To improve our sales margin by targeting increases each year using our 2019 Long Term Financial Forecast as a base
- To deliver the targeted benefits from the Fit for the Future programme (target: £4.6 million from 2023)

### TO PROVIDE SERVICES THAT OUR CUSTOMERS NEED, TO THE LEVEL OF OUR SERVICE STANDARDS SET USING CUSTOMER FEEDBACK, AS WELL AS DELIVERING SOCIAL VALUE:

- Use customer feedback to review quality of service provision
- Introduce an investment rationale that puts our customer focus at the heart of decision making

These VfM priorities will be reviewed annually as part of the Group's annual strategy review activities. Our performance in relation to VfM will still be reported separately, ensuring that we are transparent to our key stakeholders and ourselves about our outcomes and our goals for continuous improvement.

# Treasury review

The Group has a formal Treasury Management Policy, which is regularly reviewed and was last approved by the Group's Treasury Committee in November 2019. The purpose of the policy is to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings.

The Treasury Policy addresses funding and liquidity risk, covenant compliance and interest rate management. The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate this risk the Group uses interest rate swaps (see page 145).

The Group has five active borrowers: A2Dominion Homes Limited, A2Dominion South Limited, A2Dominion Residential Limited, A2Dominion Developments Limited and A2Dominion Housing Options Limited. The Group has two funding vehicles, A2Dominion Housing Finance Limited and A2Dominion Treasury Limited, both of which on-lend to the above borrowers. In addition, the Group's parent company, A2Dominion Housing Group Limited, has loan facilities and has issued bonds, the proceeds of which are on-lent to the above borrowers.

Borrowings and arranged facilities as at 31 March 2020 can be summarised as follows:

| | ARRANGED £m | DRAWN £m |
|---|---|---|
| A2Dominion Homes Limited[2] | 979.4 | 654.0 |
| A2Dominion South Limited | 890.1 | 695.7 |
| A2Dominion Housing Options Limited | 63.9 | 63.9 |
| A2Dominion Developments Limited | 28.7 | 28.7 |
| A2Dominion Residential Limited | 271.8 | 271.8 |
| Unallocated[1] | 152.0 | – |
| **Total** | **2,385.90** | **1,714.10** |
| Fair value adjustment of loans arising on consolidation | | 14.7 |
| Loan issue costs | | (9.3) |
| Bond discounts | | (1.4) |
| **Net debt (note 27)** | | **1,718.10** |

[1]*The Group has arranged future facilities which are currently not allocated to individual entities: an uncommitted shelf facility (£77 million) and a forward agreement which will be advanced in March 2022 (£75 million).*

[2]*£75 million of arranged committed facilities require security to be put in place before they can be drawn.*

As at 31 March 2020 the percentage of fixed and index linked loans to variable was as follows:

| | FIXED OR INDEX LINKED |
|---|---|
| | % |
| A2Dominion Homes Limited | 78.5 |
| A2Dominion South Limited | 93.2 |
| A2Dominion Residential Limited | 100.0 |
| **Average for Group** | **89.9** |

# CURRENT LIQUIDITY

During the year, the Group completed on a number of funding agreements, including £75 million of revolving credit facilities and two bond issues off our European Medium Term Note Programme totalling £160 million.

It is the Group's normal policy not to hold significant cash balances but to ensure that loan facilities are in place to fund future liquidity requirements. However, the Group is still holding a substantial level of cash due to the bond issues. Excess cash is invested with a number of counterparties at competitive rates of interest. This is until the funds are required to meet the commitments within the Group's development programme.

Cash and bank balances at 31 March 2020 were £121.5 million (2019: £159.5 million). Net current assets were £264.5 million (2019: £314.7 million). Additionally, as at 31 March 2020, the Group had facilities in place to borrow a further £443.3 million (2019: £405.1 million). The Group's liquidity therefore remains strong and is the cornerstone of the Group's risk management strategy to ensure that the Group remains liquid in a potential market downturn.

Loan covenants are primarily based on interest cover and gearing ratios. Interest cover is after adding back housing property depreciation and impairment and includes surpluses from sales but excludes capitalised interest. Interest cover and gearing covenants only apply to the two largest Group entities, A2Dominion Homes Limited and A2Dominion South Limited and these were comfortably met throughout the year. Both companies derive most of their income from rented social housing. There are no other Group entities with either interest or gearing covenants, nor are there any Group interest or gearing covenants.

The Group's loan covenants are all structured in line with FRS 102 apart from one which is yet to be migrated and contains a frozen UK GAAP clause.

# ACCOUNTING POLICIES

The principal accounting policies of the Group are set out on pages 105 to 112.

**I. Cox**
**Chair**

**D. Coates**
**Board Member**

**I. Hill**
**Secretary**

*Western Avenue, Ealing*

*Carlton House, Wandsworth*

# Report of the Board

# Report of the Board

## BOARD OF MANAGEMENT

The Group Board steers and directs the activities of the organisation. Members of the Board are chosen to ensure a broad cross section of skills and experience from across the housing sector.

### IAN COX, CHAIR

Ian has worked in the construction, housebuilding, urban regeneration and property industry for over 35 years. He now has his own development and consultancy company and has worked with Government Agency Local Partnerships and North Solihull Partnership on projects in Essex, Gloucester and the Midlands. Ian's development company specialises in low energy and brown field projects. He is Non-Executive Chair of Treveth Holdings, a development and investment company owned by Cornwall Council.

### DAVID COATES

David has worked as a finance and treasury professional in the retail sector for over 25 years, holding a number of finance director roles at companies including Sainsbury's and Debenhams. He was also Group Finance Director at New Look, currently manages his own property portfolio, and is the Chair of our Audit Risk and Assurance Committee.

### SARA DICKINSON

Sara has worked in financial roles for the past 25 years, and is Chair of our Treasury Committee. She has previously worked as Group Financial Controller for Sage Group PLC, and as Vice President and Finance Director of eBookers Group, a pan-European online travel agency. She is currently CFO & Senior Vice President for Expedia Partner Solutions, the B2B partnerships business within the Expedia Group where she also sits on the Global Finance leadership team.

### CAROLINE TILLER

Caroline has over 30 years' housing experience and is Chair of our Customer Advisory Panel. Caroline was Chief Executive of Central and Cecil Housing Trust, a post she held for six years. Prior to this, Caroline held a number of director-level positions in large- and medium- sized housing associations, with a focus on customer-facing operations.

### CAROLINE TOLHURST

Caroline has over 30 years' experience in the property and investment management sectors as a surveyor and compliance officer, and was previously Company Secretary at Grosvenor and NewRiver Retail. She is now on the board of Wynnstay Properties PLC and LocatED Properties Limited. Caroline currently sits as Chair of our Governance & Remuneration Committee.

### PETER WALKER

Peter has over 40 years' experience in the finance sector, with private and public sector board-level experience centred on change, growth and service delivery. He was previously Interim Director for Strategic Programmes at Lloyds Banking Group and the former COO of The Pension Protection Fund. He currently sits on the Group's Audit, Risk and Assurance and Treasury committees. Peter is the Group Board lead for our business change programme.

(Appointed 25 September 2019)

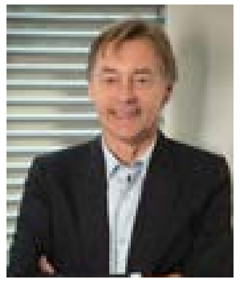
### DARRELL MERCER

Darrell has over 40 years' experience in the housing sector, and was previously Assistant Director of Housing for the London Borough of Islington. He is the former Chief Executive of Acton Housing Association and Dominion Housing Group. In 2017, he became a Non-Executive for Homes for Reading Ltd.

### ANNE WATERHOUSE

Anne is a chartered accountant with over 20 years' finance experience. Prior to her current role, Anne was Deputy Group Finance Director at Dominion Housing Group, and then Executive Director (Financial Services) at A2Dominion. She is a member of the Chartered Institute of Management Accountants, and has also worked as a finance director within the housebuilding industry.

# EXECUTIVE OFFICERS

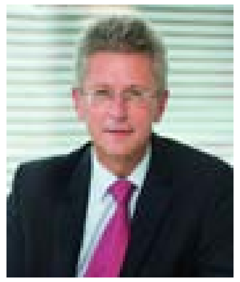


## DARRELL MERCER
**Chief Executive Officer**

See previous page

## ANNE WATERHOUSE
**Executive Director (Central & Financial Services) and Deputy Chief Executive**

See previous page



## NICK HUTCHINGS
**Executive Director (Managing Director, Commercial)**

Nick has over 30 years' experience in the housebuilding industry and formerly worked at the Berkeley Group, one of the most respected housebuilding brands in the industry, where he held senior management posts including Land Director and Managing Director of St George Central London.

## ANDREW BOYES
**Executive Director (Change & IT)**

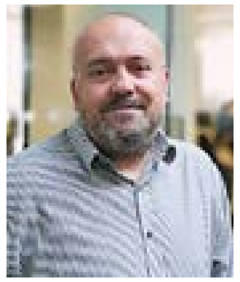
Andrew has over 30 years' experience in IT, working across a broad range of business sectors including housing, insurance, retail and distribution. Andrew has been an IT Director since 1998, holding three IT Director roles before he joined A2Dominion in 2009 as Group Director of IT. He became Executive Director (Change & IT) in 2014.

## ANDREW EVANS
**Executive Director (Operations)**

Andrew has over 35 years' service delivery experience in both the private and public sectors. Andrew was previously Group Operations Director for A2 Housing Group for 12 years, and was Spelthorne Housing Association's Deputy Chief Executive. Andrew is a member of the Institute of Management.

## DEAN TUFTS
**Executive Director (Finance & Strategy)**

Dean is a chartered accountant and has worked in the housing industry for over 30 years. Dean was Group Finance Director of Dominion Housing Group for four years. Prior to that he was Finance Director of its forerunner, Acton Housing Association for 11 years, joining the association from McCarthy & Stone Plc. Dean is an Associate of the Institute of Chartered Accountants in England and Wales.



## IAN HILL
**Interim Group Company Secretary and Director of Governance & Compliance**

(Appointed 20 September 2019.
Zoe Ollerearnshaw resigned 20 September 2019).

## AUDITORS

BDO LLP 55 Baker Street
London W1U 7EU

## BANKERS

Barclays Bank Plc
Floor 28
1 Churchill Place
London E14 5HP

## SOLICITORS

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

*King Street, Hammersmith and Fulham*

# Report of the Board

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

## PRINCIPAL ACTIVITIES

A2Dominion Housing Group Limited is a social landlord administered by a board of directors with a broad range of expertise and experience. It is also the parent entity of the A2Dominion Group ("the Group") and all further references to the Group refer to the consolidated Group rather than the Association. The subsidiaries of the Group are listed in note 18 to the financial statements and their activities detailed within the Strategic Report on pages 9 to 63.

## BUSINESS REVIEW

Details of the Group's performance for the year and its future plans are set out in the Strategic Report.

## HOUSING PROPERTY AND OTHER FIXED ASSETS

Details of changes to the Group's fixed assets are shown in notes 14 to 18 to the Financial Statements.

## RESERVES

After transfer of the surplus for the year of £19.5 million (2019: £23.9 million) and other movements in reserves, the Group's year-end reserves amounted to £965.9 million (2019: £944 million).

## DONATIONS

A2Dominion Housing Group Limited made no charitable donations during the year (2019: nil) and made no political donations (2019: nil). Entities within the Group donated £62,664 to charitable organisations (2019: £52,622).

## POST BALANCE SHEET EVENTS

The present board members ("the Board") consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

## FINANCIAL INSTRUMENTS

The Group's approach to financial risk management is outlined in the Strategic Report.

## EMPLOYEES

A key strength of the Group lies in the quality of its employees. In particular, it is their contribution that gives the Group the ability to meet its objectives and commitments to residents in an efficient and effective manner.

The Group shares information on its objectives, progress and activities through regular briefings, seminars and meetings involving board members, the senior management team and staff.

The Group is committed to equal opportunities and in particular supporting the employment of people with disabilities, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

## HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. Members of the Board, together with the executive officers, have undertaken external, accredited, health and safety training appropriate to their role. The Group operates a Health and Safety Executive Committee which is responsible for monitoring all health and safety activities and reporting on these through the Audit, Risk and Assurance Committee to the Board. The Chair of the Audit, Risk and Assurance Committee is a member and provides a direct link back to the Board. The Group has in place detailed health and safety policies and provides training and education on health and safety matters.

## BOARD MEMBERS AND EXECUTIVE OFFICERS

The Board and the executive officers of the Group are set out on page 67. The Board is drawn from a wide background bringing together professional, sector and commercial experience. The executive officers are the Chief Executive Officer and the other members of the Group's Executive Management team.

The executive officers hold no interest in the Group's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify the Board and officers against liability when acting for the Group.

## SERVICE CONTRACTS

Executive officers are employed on the same terms and conditions as other staff, save that their notice periods are between six and 12 months.

## PENSIONS

The Group's use of the Social Housing Pension Scheme (SHPS) defined benefit section closed on 30 June 2019 for any future accruals. Executive officers are now eligible for the SHPS defined contribution section. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

## OTHER BENEFITS

Executive officers are entitled to other benefits such as health care insurance. Details of their total remuneration are included in note 8 to the financial statements.

## GOVERNANCE

The regulatory judgement rating for A2Dominion Housing Group is G1/V2. This rating was effective from 28 August 2019 following an in-depth assessment by the Regulator of Social Housing (RSH). As a result of its assessment, the RSH confirmed the highest grade for governance and a grade of V2 for financial viability. The financial viability grading recognises that the Group meets the RSH's viability requirements and that it has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance. The judgement identified that the Group's financial plans are consistent with, and support, its financial strategy. It has an adequately funded business plan, sufficient security and is forecast to continue to meet its financial covenants.

As a consequence of a large and diverse development programme, A2Dominion continues to face a range of risks and a high level of exposure to the private sale market. A2Dominion currently retains capacity to deal with downside risk aimed at ensuring its long-term viability. The Group gains assurance on its long-term viability by running a range of stress testing scenarios against its Long-Term Financial Forecast.

This judgement covers A2Dominion Housing Group Limited, A2Dominion Homes Limited, A2Dominion Housing Options Limited and A2Dominion South Limited.

The Board has carried out its annual assessment of compliance against the RSH's regulatory framework for registered providers, and reports full compliance throughout the year and up to 29 July 2020.

The Board has also reviewed its governance arrangements for compliance against its adopted code of governance, the National Housing Federation Code of Governance published in 2015. The Board fully complies with the Code.

The Board is confident that the regulatory judgement from the RSH, together with its self-assessments against the regulatory framework and code of governance, provide assurance that the governance framework across the organisation is strong.

## RESIDENT INVOLVEMENT

The Group actively encourages residents' involvement providing feedback and informing decision making through active resident groupings which promote resident involvement led by the Group's Customer Experience team. The Board recognises and values resident and customer feedback and puts customers at the heart of all we do. There are clear reporting arrangements between the resident groups and the Board and committees. The Group operates a Customer Advisory Panel (CAP) to provide clear resident and customer feedback on enhancements to services being provided. Details of CAP's remit is included on page 40. The Panel comprises two residents, industry experts from other customer-facing organisations along with two Board members who provide the direct link back to the Board.

The Community Investment team has developed a five-year plan to deliver three key themes: strengthening communities, reducing health inequalities and increasing financial capabilities.

## COMPLAINTS

The Group has a clear, accessible complaints policy for its residents that has been designed to give residents a simple process to follow if they feel that they have an issue.

## INTERNAL CONTROLS ASSURANCE

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the Annual Report and Financial Statements.

Key elements of the control framework during the year included:

- Rules and standing orders
- Delegated powers detailing responsibilities for expenditure and authorisation of payments
- Written policies and procedures
- Risk management framework
- Job descriptions and appraisal system
- Internal audit programme linked to risk
- Annual external audit
- Monitoring implementation and audit recommendations at Audit, Risk and Assurance Committee
- An annual report provided to the Audit, Risk and Assurance Committee by internal and external auditors and regular progress updates
- Annual budget agreed before beginning of financial year
- Long-term financial forecasts tested against a range of scenarios
- Monthly management information to budget holders
- Monthly and quarterly cashflow forecasting
- Quarterly reports to the Board on KPI performance
- Reports to the Board on any fraudulent activity
- Codes of conduct and registers for hospitality and declarations of interests
- Treasury Management Policy and regular reports performance
- Reports of proceeding or minutes from committees considered by the Board.

The Audit, Risk and Assurance Committee oversees the Group's performance for its landlord services, the management of risk and health and safety reporting and compliance.

The Board cannot delegate accountability for the system of internal control, but it can, and has, delegated authority to the Audit, Risk and Assurance Committee to regularly review the effectiveness of the system of internal control.

The Audit, Risk and Assurance Committee reviews the Group Risk Register at each meeting to ensure all risks are fully assessed with mitigation actions identified against the identified risk appetite. In addition, each of the Group's committees reviews risks and actions specific to its areas of responsibility. The Audit, Risk and Assurance Committee regularly review the fraud register. Any control weaknesses or fraud identified during the year are reported to and monitored by the Audit, Risk and Assurance Committee, which review the mitigating actions and the timescales for their completion.

The Board has reviewed and evaluated the effectiveness of the internal controls as well as the fraud register and the annual report of the internal auditor as reported to them by the Audit, Risk and Assurance Committee.



In line with the Financial Reporting Council Guidance on Audit Committees, the Audit, Risk and Assurance Committee carried out a separate exercise to review and confirm its independence, performance and effectiveness, and agreed and implemented actions to further improve its effectiveness.

## BOARD MEMBERS' RESPONSIBILITIES

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

Co-operative and Community Benefit Society and social housing legislation require the Board to prepare financial statements for each financial year for the Group and Association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable the Board to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

## STREAMLINED ENERGY AND CARBON REPORTING

The Group is required to report under the Streamlined Energy and Carbon Reporting (SECR) framework, under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

This report relates to A2Dominion Residential Limited and A2Dominion Developments Limited, which are the two entities in the Group that meet SECR qualification criteria. This includes UK energy use, and the associated Greenhouse Gas (GHG) emissions, which are classified as:

- **Scope 1:** Activities for which the Group is responsible involving the combustion of gas, or consumption of fuel for the purposes of transport.
- **Scope 2:** The purchase of electricity by the Group for its own use, including for the purpose of transport.
- **Scope 3:** Emissions associated with third party logistics providers which occur at sources which A2Dominion does not own or control. Although not mandatory for inclusion in the SECR summary, Scope 3 emissions have been considered for well to tank of natural gas and diesel fuels and also for the transmission and distribution element of delivered electricity.

This summary has been compiled on the best available data at the time of production, in accordance with the base-line compliance SECR criteria for unquoted businesses with an annual energy consumption below 40 MWh, as it includes the total UK energy use of electricity, natural gas and direct transport (company-owned vehicles).

# Streamlined energy and carbon reporting statement

This is the first year of reporting our energy and carbon data through Streamlined Energy and Carbon Reporting (SECR) and as such no comparative years are provided. The statement covers the year 1 April 2019 to 31 March 2020. The scope of emissions included in the report are natural gas, diesel (gas oil), and electricity.

| | | 2019/20 | | |
|---|---|---|---|---|
| **Energy and Carbon Data** | **Energy Units** | | **$tCO_2e$** | |
| **Scope 1 Combustion of fuel and operation of facilities, refrigeration** | | | | |
| Natural gas (kWh) | 9,270,616.9 | | 1,704.4 | |
| Gas oil (Red Diesel) (kWh) | 341,921.1 | | 87.8 | |
| **Total Scope 1 – kWh total excl. refrigerant** | **9,612,538.0** | | **1,792.2** | |
| **Scope 2 Electricity purchased and heat and steam generated for own use** | | | | |
| Location-based (LB) (kWh) | 3,197,393.4 | | 817.4 | |
| Market-based (MB) (kWh) | 3,197,393.4 | | – | |
| **Total Gross Scope 1&2 (LB) – excl. refrigerant** | **12,809,931.4** | | **2,609.6** | |
| **Total Gross Scope 1&2 (MB) – excl. refrigerant** | **12,809,931.4** | | **1,792.2** | |
| | | **IR1** | **IR2** | **IR3** |
| IR Total Gross Scope 1&2 (LB) – unit/metric | 89,579.9 | 18.2 | 68.4 | 6.3 |
| IR Total Gross Scope 1&2 (MB) – unit/metric | 89,579.9 | 12.5 | 47.0 | 4.3 |
| **Scope 3 Well to tank and T&D losses** | | | | |
| Natural gas and fuel oils – Well to tank & Electricity T&D Losses | | 311.2 | | |
| **Total Gross Scope 1-3 – (LB) - Excl. refrigerant** | **N/A** | **2,920.8** | | |
| **Total Gross Scope 1-3 – (MB)** | **N/A** | **2,103.4** | | |
| | | **IR1** | **IR2** | **IR3** |
| IR Total Gross Scope 1–3 (LB) unit/metric | N/A | 20.4 | 76.6 | 7.0 |
| IR Total Gross Scope 1–3 (MB) unit/metric | N/A | 14.7 | 55.1 | 5.1 |

**Definitions:**

**$tCO_2e$** = *Tonnes of carbon dioxide equivalent, which is a measure that allows you to compare the emissions of other greenhouse gases relative to one unit of $CO_2$. It is calculated by multiplying the greenhouse gas's emissions by its 100-year global warming potential.*

**LB** = *Location-based. Organisations are encouraged to use location-based grid average emission factors to report the emissions from electricity, including those consumed from the grid. Where available, time specific (e.g. hour-by-hour) grid average emission factors should be used in order to accurately reflect the timing of consumption and the carbon-intensity of the grid.*

**MB** = *Market-based. Where organisations have entered into contractual arrangements for renewable electricity, e.g. through Power Purchase Agreements or the separate purchase of Renewable Energy Guarantees of Origin (REGOs), or consumed renewable heat or transport certified through a government scheme and wish to reflect a reduced emission figure based on its purchase, this can be presented in the relevant report using a "market-based" reporting approach.*

**T&D losses** = *Transmission and distribution losses.*

## INTENSITY RATIOS

Our intensity ratios have been calculated applying our three key drivers of energy and carbon usage: namely the number of employees, the number of homes we manage and the number of homes that we have in development.

From April 2019 to March 2020 the Intensity Ratio's based on total Scope 1&2 emissions were:

| INTENSITY RATIO | FORMULA | LOCATION BASED | MARKET BASED |
|---|---|---|---|
| IR1 | $tCO_2e$/Employee | 18.2 | 12.5 |
| IR2 | $tCO_2e$/1000 completed units in management | 68.4 | 47.0 |
| IR3 | $tCO_2e$/No. of units in development | 6.3 | 4.3 |

This information will be used to help inform the setting of targets for our emission performance over our 2020-25 strategy period.

## ENERGY EFFICIENCY ACTION TAKEN BY THE GROUP DURING 2019/20

- All electricity has been purchased from a supplier who sources it from 100% renewables.
- A2Dominion has instigated a Group-wide sustainability project and is currently baselining consumption.
- The largest managed office at Ealing has recommissioned the air conditioning system with improved efficiency.
- A project to improve the lighting controls in meeting rooms has commenced.

## GOING CONCERN AND VIABILITY

The conditions resulting from the coronavirus pandemic have resulted in the Board needing to consider its potential impact on the viability of the Group and on A2Dominion Housing Group Limited. As part of the Board's going concern assessment the potential implications to the Group and its subsidiaries were reviewed by the Board, which considered and approved the assumptions to be modelled within the financial forecast. These assumptions included a delay and a reduction in rent collection levels, and where relevant delays and reductions in sales of properties.

There were two variants modelled in addition to the base forecast, demonstrating the Group's resilience to a variety of possible outcomes of the coronavirus pandemic on the Group's performance.

The results of the worst-case model indicated that the Group could sustain the impact of significant prudent assumptions and is able to continue to operate, with adequate cash resources available and comply with all banking covenants. Mitigating actions which could be taken at the Group's discretion should the impact exceed the worst-case scenario were explored and include property disposals, delaying uncommitted expenditure and reviewing costs with a view to achieving further savings.

The period over which the Board considers it appropriate to report on the Group's viability is the five-year period to 31 March 2025. This is in line with the Group's latest Corporate Strategy, which covers the five years from 2020 to 2025. Having considered the forecast cashflows and the impact of the modelled scenarios in combination, the Board confirms that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for this five-year period.

The principal risks that could affect this strategy are discussed in the Strategic Report on pages 43 to 48.

On this basis the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the Financial Statements. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the Financial Statements is appropriate.

## ANNUAL GENERAL MEETING

The Annual General Meeting has been held on 29 July 2020.

## DISCLOSURE OF INFORMATION TO AUDITOR

At the date of making this report each of the Group's board members, as set out on page 67, confirm the following:

- So far as each board member is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware.
- Each board member has taken all the steps that they ought to have taken as a board member in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

## EXTERNAL AUDITORS

BDO LLP has indicated its willingness to continue in office and a resolution for re-appointment for the coming year is proposed at the Annual General Meeting.

The Report of the Board was approved by the Board on 29 July 2020 and signed on its behalf by:

**I. Cox**
**Chair**

**D. Coates**
**Board Member**

**I. Hill**
**Secretary**

# Independent auditor's report

## OPINION

We have audited the financial statements of A2Dominion Housing Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2020, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of financial position, the consolidated and Association Statement of changes in equity, the consolidated Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

## BASIS FOR OPINION

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

## CONCLUSIONS RELATING TO GOING CONCERN

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

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| KEY AUDIT MATTER | OUR RESPONSE TO THE KEY AUDIT MATTER |
|---|---|
| **Going Concern**<br>As disclosed in note 2 to the financial statements, following the outbreak of COVID-19, and the resultant impact on the overall economy, management have considered the appropriateness of the going concern basis of preparation for the Group as well as the parent entity.<br><br>The directors' assessment of going concern involves a number of subjective judgements including assumptions on future levels of rental arrears, future sales prices for properties under development and delays in timing of future property sales, which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such this has been identified as a Key Audit Matter. | **Our response included the following:**<br>• Assessment of the internal long-term financial forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections.<br>• Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2022 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.<br>• Consideration of the long-term financial forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.Challenging management's assessment of reasonably possible scenarios on the impact of trading against actual trading results subsequent to the Government's lockdown instruction.<br>• Challenging the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management include stress testing to analyse the current estimates of rent collection, property sales and maintenance and development spend, as well as further downside estimates that could reasonably be envisaged and the effect that these had on the Group's performance against banking covenants. We challenged the assumptions used and mitigating actions included within these scenarios and reviewed the stress testing calculations.<br>• Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.<br><br>**Key observations:**<br><br>Our key observations are set out in the conclusions related to going concern section of our audit report. |

| KEY AUDIT MATTER | OUR RESPONSE TO THE KEY AUDIT MATTER |
|---|---|
| **Net realisable value of housing properties developed for sale**<br>As explained in the accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £265.5m. For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of both an anticipated selling price and a determination of the expected costs to complete.<br><br>Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and therefore a key audit matter. | **Our response included the following:**<br>• We assessed management's controls over the review of development projects and identification of projects at risk of impairment and tested the operating effectiveness of these controls.<br>• Having obtained management's assessment of the net realisable value of housing properties developed for sale we selected a sample on which to perform detailed testing. Samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end.<br>• For the selected completed properties, agreeing the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we compared the anticipated proceeds to similar developments in the same locality to confirm that properties were held at the lower of cost and net realisable value.<br>• For the selected properties under development, obtaining details of the expected costs to complete from the scheme budget for that development and agreeing the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure at the balance sheet date to the estimated amount at that date.<br>• Considering the impact of falling house prices due to COVID-19 on the net realisable value of properties developed for sale. For the sample of properties tested above, we performed a sensitivity analysis which considered both a reduction in projected sales values based on available market data and the assumptions applied in the Group's long-term financial forecast. and an increase in costs to complete due to the disruption caused by COVID-19.<br><br>**Key observations:**<br><br>Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate. |

| KEY AUDIT MATTER | OUR RESPONSE TO THE KEY AUDIT MATTER |
| --- | --- |
| **Valuation of Investment Properties**<br>The Group owns a portfolio of market rented, student accommodation and commercial properties that are carried at fair value in the financial statements. The total portfolio of completed properties is valued £554.5 million as at 31 March 2020.<br><br>As described in the Group's significant accounting judgements, estimates and assumptions in note 3, determination of the fair value of investment properties is a key area of estimation uncertainty for the Group.<br><br>The Group uses professionally qualified external valuers, (the "Valuers"), to fair value the Group's portfolio and perform their work in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The valuation of the Group's investment properties requires significant judgements to be made by the external valuer and any inaccuracies in information provided to the valuer or unreasonable judgements could result in a material misstatement of the valuation of investment properties.<br><br>In the current period due to the evaluation and impacts of COVID-19 the valuations are being reported on the basis of 'material valuation uncertainty' and we therefore considered this to be an area of significant audit risk and a key audit matter. | **Our response included the following:**<br>• Assessing the competency, qualifications, independence and objectivity of the external valuers engaged by the Group and reviewed the terms of their engagement for any unusual arrangements.<br>• Obtaining and reading the valuation report and, in consultation with an internal valuation specialist (qualified chartered surveyor), confirming that all valuations had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements.<br>• Testing the accuracy of the key observable valuation inputs supplied to and used by the external valuers, by carrying out procedures, on a sample basis, to test whether property-specific data reflected the underlying property records held by the Group and tested during our audit.<br>• Considering whether the key valuation assumptions were consistent with our own independently formed expectations derived from an examination of industry reports and benchmarks and through consultation with an internal valuation specialist (qualified chartered surveyor) and challenging the external valuers where significant variances from these expectations were identified. We then corroborated their responses to supporting documentation where appropriate.<br>• Reviewing the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation assumptions and the existence of a material valuation uncertainty.<br><br>**Key observations:**<br>We found that the valuations and their underlying assumptions were supportable in light of available and comparable market evidence. We found the disclosures included within the Group financial statement were appropriate. |

| KEY AUDIT MATTER | OUR RESPONSE TO THE KEY AUDIT MATTER |
| --- | --- |
| **Implementation of new accounting system**<br>During the period, the Group and all of its subsidiaries implemented new accounting and purchase ledger management systems.<br><br>The implementation of a new accounting system and migration of legacy data creates a risk that opening balances are misstated and general ledger data is lost if not transferred correctly.<br><br>The implementation of a new purchase ledger management system creates a risk around the appropriateness of purchases and the completeness of creditor balances if supplier information and open purchase data are not transferred correctly.<br><br>The systems implementation during the period and the related changes to coding, structure, processes and controls across all Group entities is pervasive in nature to Group financial statements. We therefore considered this to be an area of significant audit risk and a key audit matter. | **Our response included the following:**<br>• Assessing the design and implementation of the process followed by management during the implementation and migration activity.<br>• We have reviewed the processes and procedures followed in relation to the migration of opening balance data into the new general ledger system.<br>• We have reviewed the mapping of the legacy general ledger codes to the new general codes in the new accounting system and reviewed the suitability of the chart of accounts in the new accounting system.<br>• We have reviewed the processes and procedures followed and the controls implemented surrounding the transfer of purchase ledger data to the new system.<br><br>**Key observations:**<br>We found that the implementation of the new accounting system and the migration of legacy data was performed effectively. |

# OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £60,600,000 (2019 – £58,600,000 which represents 1.5% of total assets (2019 – 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment and the net profit/loss on first tranche sale properties. The specific materiality level that we applied was £5,715,000 (2018 – £6,360,000), which is 5% of adjusted operating profit. (2019 - 5%).

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

Materiality for the parent Association was set at £1,100,000 (2018 – £862,000), which is 2% of turnover. We used turnover as our chosen benchmark to determine materiality for the Association as this entity generates income only from the processing of expenses on behalf of Group members (including payroll) and then recharging them to the relevant Group member.

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

We agreed with the Audit Committee that misstatements in excess of £1,200,000 for areas considered using financial statement materiality and £116,000 for areas considered using specific materiality (2019 – £1,200,000 / £127,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

# AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

# CLASSIFICATION OF COMPONENTS

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

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for Group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each particular entity and the materiality levels used ranged from 1% to 44% of overall financial statement materiality.

# EXTENT TO WHICH THE AUDIT IS CAPABLE OF DETECTING IRREGULARITIES

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

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

We designed audit procedures at Association and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

# OTHER INFORMATION

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

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

We have nothing to report in this regard.

# MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

# RESPONSIBILITIES OF THE BOARD

As explained more fully in the board members responsibilities statement set out on page 75, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## OTHER MATTERS

Following the recommendation of the audit committee, we were first appointed to audit the financial statements of A2Dominion Housing Group Limited for the year ended 31 March 2009 and subsequent financial periods. The period of total uninterrupted engagement for A2Dominion Housing Group Limited is 12 years, covering the financial year ending 31 March 2020.

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

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

## USE OF OUR REPORT

This report is made solely to the members of the Association, as a body, in accordance in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

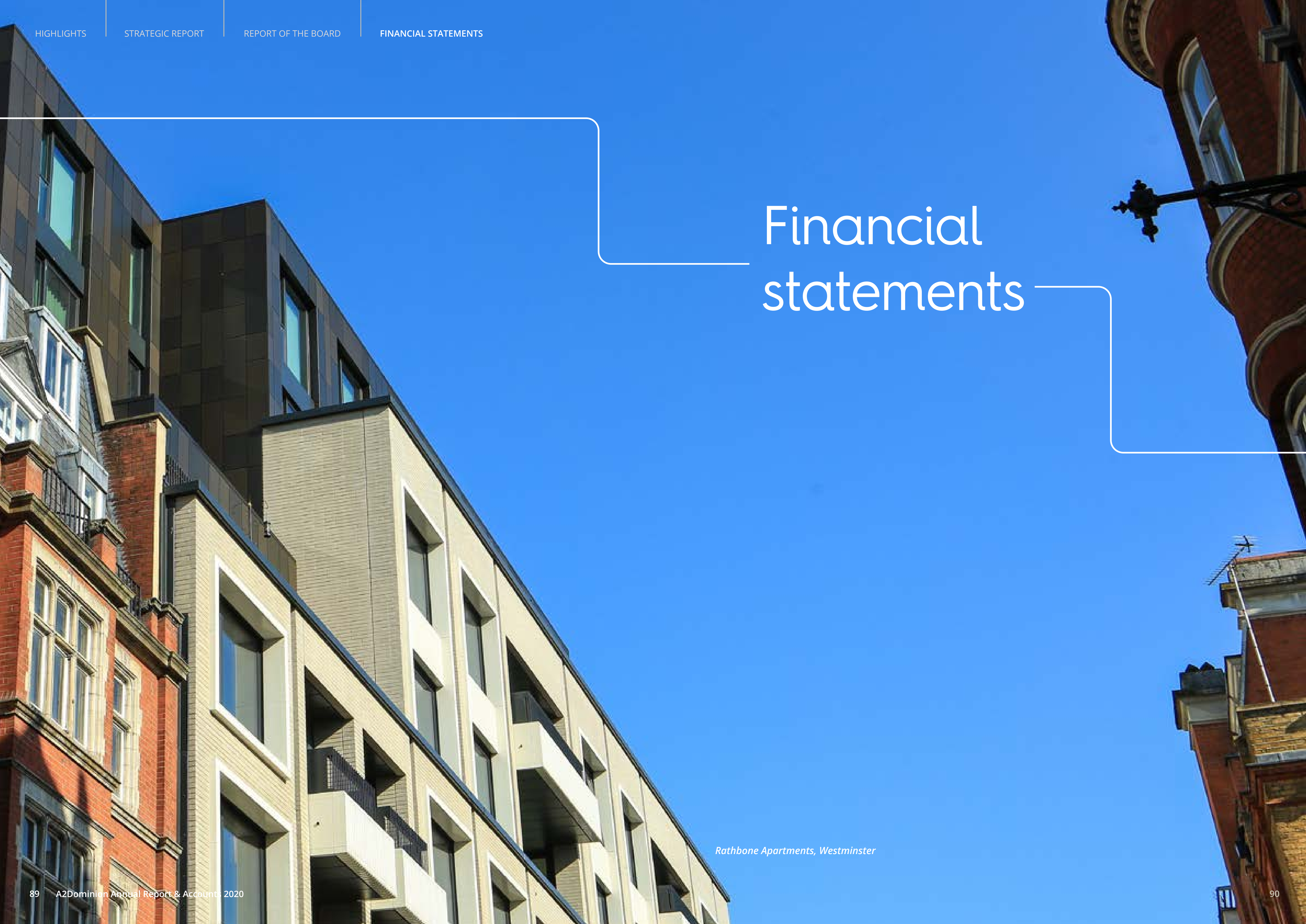
**Elizabeth Kulczycki,**
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom
30 July 2020
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



*Queen's Wharf, Hammersmith and Fulham*



# Financial statements

*Rathbone Apartments, Westminster*

# Consolidated statement of comprehensive income

## FOR THE YEAR ENDED **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 RESTATED £M |
|---|---|---|---|
| **Turnover** | 4 | **320.4** | **372.2** |
| Cost of sales | 4 | (66.1) | (128.4) |
| Operating costs | 4 | (192.1) | (190.2) |
| Surplus on sale of fixed assets | 4,10 | 9.4 | 9.7 |
| Share of jointly controlled entity operating profit | 4,18 | 8.7 | 2.5 |
| **Operating surplus** | 4,6 | **80.3** | **65.8** |
| Interest receivable and other income | 11 | 2.1 | 7.9 |
| Interest payable and similar charges | 12 | (59.5) | (59.6) |
| Other finance costs | 30 | (0.8) | (0.8) |
| Change in fair value of investments | 18 | 0.5 | 0.3 |
| Movement in fair value of financial instruments | | (0.1) | 2.7 |
| Movement in fair value of investment properties | 16 | (3.9) | 9.2 |
| **Surplus on ordinary activities before taxation** | | **18.6** | **25.5** |
| Tax on surplus on ordinary activities | 13 | 2.0 | (0.3) |
| **Surplus on ordinary activities after taxation** | | **20.6** | **25.2** |
| Non-controlling interest | | (1.1) | (1.3) |
| **Surplus for the financial year** | | **19.5** | **23.9** |
| Net impact of the initial recognition of multi-employer defined benefit scheme | 30 | - | (11.6) |
| Actuarial gains / (losses) on defined benefit pension scheme | 30 | 14.9 | (3.5) |
| Movement in fair value of hedged financial instrument | | (12.9) | (3.6) |
| Movement in deferred tax | | 0.4 | 0.7 |
| **Total comprehensive income for year** | | **21.9** | **5.9** |

| | NOTE | 2020 £M | 2019 RESTATED £M |
|---|---|---|---|
| **Surplus for the year attributable to:** | | | |
| Non-controlling interest | | 1.1 | 1.3 |
| Parent association | | 19.5 | 23.9 |
| | | **20.6** | **25.2** |
| **Total comprehensive income attributable to:** | | | |
| Non-controlling interest | | 1.1 | 1.3 |
| Parent association | | 20.8 | 4.6 |
| | | **21.9** | **5.9** |

All amounts relate to continuing activities.

The notes on pages 105 to 159 form part of these financial statements.

# Association statement of comprehensive income

## FOR THE YEAR ENDED **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 £M |
|---|---|---|---|
| **Turnover** | 4 | **53.4** | **44.6** |
| Operating costs | 4 | (55.4) | (48.3) |
| | | | |
| **Operating deficit** | 4, 6 | **(2.0)** | **(3.7)** |
| Interest receivable and other income | 11 | 19.9 | 19.6 |
| Interest payable and similar charges | 12 | (18.4) | (17.0) |
| Other finance costs | 30 | (0.7) | (0.7) |
| | | | |
| **Deficit on ordinary activities before taxation** | | (1.2) | (1.8) |
| Tax on deficit on ordinary activities | 13 | - | - |
| | | | |
| **Deficit for the financial year** | | **(1.2)** | **(1.8)** |
| Net impact of the initial recognition of multi-employer defined benefit scheme | 30 | - | (11.6) |
| Actuarial gains/(losses) on defined benefit pension scheme | 30 | 13.0 | (2.8) |
| | | | |
| **Total comprehensive income/(loss) for the year** | | **11.8** | **(16.2)** |

All amounts relate to continuing activities.

The notes on pages 105 to 159 form part of these financial statements.

# Consolidated statement of financial position

## AT **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 RESTATED £M |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets – housing properties | 14 | 2,701.7 | 2,633.3 |
| Tangible fixed assets – other | 15 | 25.5 | 25.3 |
| Intangible fixed assets – other | 15 | 12.8 | 4.1 |
| Investment properties | 16 | 718.6 | 652.8 |
| Investments – Homebuy loans | 17 | 2.5 | 2.6 |
| Investments – other | 18 | 21.8 | 21.6 |
| Investments – jointly controlled entities | 18 | 92.7 | 69.1 |
| | | **3,575.6** | **3,408.8** |
| | | | |
| **Current assets** | | | |
| Properties for sale | 19 | 265.5 | 276.8 |
| Debtors receivable within one year | 20 | 55.2 | 68.4 |
| Debtors receivable after one year | 20 | 15.1 | 4.7 |
| Cash and cash equivalents | 21 | 121.5 | 159.5 |
| | | **457.3** | **509.4** |
| | | | |
| **Creditors:** Amounts falling due within one year | 22 | **(192.8)** | **(194.7)** |
| | | | |
| **Net current assets** | | **264.5** | **314.7** |
| | | | |
| **Total assets less current liabilities** | | **3,840.1** | **3,723.5** |
| | | | |
| **Creditors:** Amounts falling due within one year | 23 | (2,837.6) | (2,720.7) |
| | | | |
| **Provision for liabilities and charges** | 29 | **(19.0)** | **(23.9)** |
| | | | |
| **Net assets excluding pension liability** | | **983.5** | **978.9** |
| Pension liability | 30 | (16.4) | (33.5) |
| | | | |
| **Net assets** | | **967.1** | **945.4** |

# Consolidated statement of financial position (continued)

## AT **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 RESTATED £M |
|---|---|---|---|
| **Capital and reserves** | | | |
| Non-equity share capital | | - | - |
| Cash flow hedge reserve | | (51.0) | (38.1) |
| Restricted reserve | | 0.5 | 0.5 |
| Income and expenditure reserve | | 972.9 | 941.1 |
| Designated reserve | | 43.5 | 40.5 |
| **Total income and expenditure reserves** | | 1,016.4 | 981.6 |
| **Consolidated funds** | | 965.9 | 944.0 |
| Non-controlling interest | | 1.2 | 1.4 |
| | | **967.1** | **945.4** |

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 29 July 2020 and signed on its behalf by:

**I. Cox**
**Chair**

**D. Coates**
**Board Member**

**I. Hill**
**Secretary**

The notes on pages 105 to 159 form part of these financial statements.

# Association statement of financial position

## AT **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 RESTATED £M |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets – other | 15 | 2.7 | - |
| Intangible fixed assets – other | 15 | 12.8 | 1.1 |
| | | **15.5** | **1.1** |
| **Current assets** | | | |
| Debtors receivable within one year | 20 | 97.1 | 14.9 |
| Debtors receivable after one year | 20 | 627.5 | 424.2 |
| Cash and cash equivalents | 21 | 73.0 | 110.6 |
| | | **797.6** | **549.7** |
| **Creditors:** Amounts falling due within one year | 22 | (201.4) | (138.3) |
| **Net current assets** | | **596.2** | **411.4** |
| **Total assets less current liabilities** | | **611.7** | **412.5** |
| **Creditors:** Amounts falling due after more than one year | 23 | (624.5) | (421.6) |
| **Provision for liabilities and charges** | **29** | **(3.6)** | **(3.7)** |
| **Net liabilities excluding pension liability** | | **(16.4)** | **(12.8)** |
| **Pension liability** | 30 | (13.7) | (29.1) |
| **Net liabilities** | | **(30.1)** | **(41.9)** |

# Association statement of financial position (continued)

## AT 31 MARCH 2020

| | NOTE | 2020 £M | 2019 RESTATED £M |
|---|---|---|---|
| **Capital and reserves** | | | |
| Non-equity share capital | | - | - |
| Revenue reserve | | (30.1) | (41.9) |
| **Association's deficit** | | **(30.1)** | **(41.9)** |

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 29 July 2020 and signed on its behalf by:

**I. Cox**
**Chair**

**D. Coates**
**Board Member**

**I. Hill**
**Secretary**

The notes on pages 105 to 159 form part of these financial statements.

# Consolidated statement of changes in equity

## FOR THE YEAR ENDED 31 MARCH 2020

| | INCOME AND EXPENDITURE RESERVE | DESIGNATED RESERVE | TOTAL INCOME AND EXPENDITURE RESERVES | RESTRICTED RESERVE | CASH FLOW HEDGE RESERVE | TOTAL EXCLUDING NON-CONTROLLING INTERESTS | NON-CONTROLLING INTERESTS | TOTAL INCLUDING NON-CONTROLLING INTERESTS |
|---|---|---|---|---|---|---|---|---|
| | £M | £M | £M | £M | £M | £M | £M | £M |
| **Balance at 1 April 2019** | **941.1** | **40.5** | **981.6** | **0.5** | **(38.1)** | **944.0** | **1.4** | **945.4** |
| **Surplus for the year** | **19.5** | **-** | **19.5** | **-** | **-** | **19.5** | **1.1** | **20.6** |
| **Other comprehensive income:** | | | | | | | | |
| Net impact of the initial recognition of multi-employer defined benefit scheme | - | - | - | - | - | - | - | - |
| Actuarial gains on defined benefit pension schemes | 14.9 | - | 14.9 | - | - | 14.9 | - | 14.9 |
| Movement in fair value of hedged financial instrument | - | - | - | - | (12.9) | (12.9) | - | (12.9) |
| Movement in deferred tax | 0.4 | - | 0.4 | - | - | 0.4 | - | 0.4 |
| **Other comprehensive income for the year** | **15.3** | **-** | **15.3** | | **(12.9)** | **2.4** | **-** | **2.4** |

# Consolidated statement of changes in equity (continued)

## FOR THE YEAR ENDED **31 MARCH 2020**

| | INCOME AND EXPENDITURE RESERVE £M | DESIGNATED RESERVE £M | TOTAL INCOME AND EXPENDITURE RESERVES £M | RESTRICTED RESERVE £M | CASH FLOW HEDGE RESERVE £M | TOTAL EXCLUDING NON-CONTROLLING INTERESTS £M | NON-CONTROLLING INTERESTS £M | TOTAL INCLUDING NON-CONTROLLING INTERESTS £M |
|---|---|---|---|---|---|---|---|---|
| **Reserves transfers:** | | | | | | | | |
| Capital contribution and distributions | - | - | - | - | - | - | (1.3) | (1.3) |
| Transfer of designated expenditure from income and expenditure reserve | (9.8) | 9.8 | - | - | - | - | - | - |
| Transfer of designated expenditure to income and expenditure reserve | 6.8 | (6.8) | - | - | - | - | - | - |
| **Balance at 31 March 2020** | 972.9 | 43.5 | 1,016.4 | 0.5 | (51.0) | 965.9 | 1.2 | 967.1 |

The notes on pages 105 to 159 form part of these financial statements.

# Consolidated statement of changes in equity (continued)

## FOR THE YEAR ENDED **31 MARCH 2019**

| | INCOME AND EXPENDITURE RESERVE £M | DESIGNATED RESERVE £M | TOTAL INCOME AND EXPENDITURE RESERVES £M | RESTRICTED RESERVES £M | CASH FLOW HEDGE RESERVE £M | TOTAL EXCLUDING NON-CONTROLLING INTERESTS £M | NON-CONTROLLING INTERESTS £M | TOTAL INCLUDING NON-CONTROLLING INTERESTS £M |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2018** | 932.6 | 39.5 | 972.1 | 0.5 | (34.5) | 938.1 | 1.2 | 939.3 |
| **Surplus for the year** | 23.9 | - | 23.9 | - | - | 23.9 | 1.3 | 25.2 |
| **Other comprehensive income:** | | | | | | | | |
| Net impact of the initial recognition of multi-employer defined benefit scheme | (11.6) | - | (11.6) | - | - | (11.6) | - | (11.6) |
| Actuarial losses on defined benefit pension scheme | (3.5) | - | (3.5) | - | - | (3.5) | - | (3.5) |
| Movement in fair value of hedged financial instrument | - | - | - | - | (3.6) | (3.6) | - | (3.6) |
| Movement in deferred tax | 0.7 | - | 0.7 | - | - | 0.7 | - | 0.7 |
| **Other comprehensive income for the year** | (14.4) | - | (14.4) | - | (3.6) | (18.0) | - | (18.0) |

# Consolidated statement of changes in equity (continued)

## FOR THE YEAR ENDED **31 MARCH 2019**

| | INCOME AND EXPENDITURE RESERVE £M | DESIGNATED RESERVE £M | TOTAL INCOME AND EXPENDITURE RESERVES £M | RESTRICTED RESERVES £M | CASH FLOW HEDGE RESERVE £M | TOTAL EXCLUDING NON-CONTROLLING INTERESTS £M | NON-CONTROLLING INTERESTS £M | TOTAL INCLUDING NON-CONTROLLING INTERESTS £M |
|---|---|---|---|---|---|---|---|---|
| **Reserves transfers:** | | | | | | | | |
| Capital contribution and distributions | - | - | - | - | - | - | (1.1) | (1.1) |
| Transfer of designated expenditure from income and expenditure reserve | (13.2) | 13.2 | - | - | - | - | - | - |
| Transfer of designated expenditure to income and expenditure reserve | 12.2 | (12.2) | - | - | - | - | - | - |
| **Balance at 31 March 2019** | 941.1 | 40.5 | 981.6 | 0.5 | (38.1) | 944.0 | 1.4 | 945.4 |

The notes on pages 105 to 159 form part of these financial statements.

# Association statement of changes in equity

## FOR THE YEAR ENDED **31 MARCH 2020**

| | INCOME AND EXPENDITURE RESERVE £M |
|---|---|
| **Balance at 1 April 2019** | (41.9) |
| **Deficit for the year** | (1.2) |
| **Other comprehensive income:** | |
| Actuarial gain on defined benefit pension scheme | 13.0 |
| **Other comprehensive income for the year** | 13.0 |
| **Balance at 31 March 2020** | (30.1) |

## FOR THE YEAR ENDED **31 MARCH 2019**

| | INCOME AND EXPENDITURE RESERVE £M |
|---|---|
| **Balance at 1 April 2018** | (25.7) |
| **Deficit for the year** | (1.8) |
| **Other comprehensive income:** | |
| Net impact of the initial recognition of multi-employer defined benefit scheme | (11.6) |
| Actuarial loss on defined benefit pension scheme | (2.8) |
| **Other comprehensive loss for the year** | (14.4) |
| **Balance at 31 March 2019** | (41.9) |

The notes on pages 105 to 159 form part of these financial statements.

# Consolidated statement of cash flows

## FOR THE YEAR ENDED **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 £M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Operating surplus (excluding joint venture surplus) for the financial year** | | 71.6 | 63.3 |
| **Adjustments for:** | | | |
| Depreciation of fixed assets – housing properties | | 31.0 | 30.0 |
| Depreciation of fixed assets – other | | 2.7 | 2.7 |
| Accelerated depreciation on replaced components | | 1.7 | 1.2 |
| Impairment of fixed assets – housing properties | | 1.9 | 0.8 |
| Amortised grant | | (16.2) | (16.2) |
| Cost element of housing property sales in operating surplus | | 14.5 | 12.7 |
| Cost element of fixed asset investment properties | | 1.2 | 2.6 |
| Difference between net pension expenses and cash contribution | | (2.1) | (0.6) |
| Increase in trade and other debtors | | (18.5) | (1.7) |
| Decrease in stocks | | 11.7 | 51.1 |
| Increase/(decrease) in creditors | | 15.0 | (16.2) |
| (Decrease)/increase in provisions | | (4.9) | 16.5 |
| **Cash from operations** | | **109.6** | **146.2** |
| Tax paid | | - | - |
| **Net cash generated from operating activities** | | **109.6** | **146.2** |



# Consolidated statement of cash flows (continued)

## FOR THE YEAR ENDED **31 MARCH 2020**

| | NOTE | 2020 £M | 2019 £M |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of fixed assets – housing properties | | (101.6) | (61.2) |
| Purchase of fixed assets – other | | (11.7) | (9.2) |
| Purchase of fixed asset investment properties | | (71.1) | (160.4) |
| Receipt of grant | | 3.0 | 91.3 |
| Investment in jointly controlled entities | | (16.7) | (25.0) |
| Repayment of jointly controlled entities capital | | 0.7 | 1.6 |
| Distribution of jointly controlled entities profits | | 1.1 | 4.7 |
| Loans payment by jointly controlled entities | | 10.3 | 47.7 |
| Interest received | | 2.1 | 7.9 |
| **Net cash from investing activities** | | **(183.9)** | **(102.6)** |
| **Cash flows used in financing activities** | | | |
| Interest paid | | (73.0) | (74.5) |
| New loans – bank | | 83.1 | 41.0 |
| New loans – other | | 209.7 | 90.0 |
| Repayment of loans – bank | | (180.3) | (40.3) |
| Repayment of loans – other | | (3.2) | (26.4) |
| **Net cash from financing activities** | | **36.3** | **(10.2)** |
| **Net (decrease)/increase in cash and cash equivalents** | 36 | **(38.0)** | **33.4** |
| Cash and cash equivalents at the beginning of year | | 159.5 | 126.1 |
| **Cash and cash equivalents at end of year** | | **121.5** | **159.5** |

The notes on pages 105 to 159 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. LEGAL STATUS

The Association is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) in England as a social landlord. The registered address is stated on the back cover. The Association is a Public Benefit Entity.

## 2. ACCOUNTING POLICIES

### Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers" 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019.

These financial statements are the prepared under FRS102. The Group has adopted the amendments to FRS102 (Issued December 2017 – Tri-ennial Review).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

### Going concern

The Group and Association's financial statements have been prepared on the going concern basis. The Board reviewed and approved the Budget for 2020/21 in March 2020 and the 30-year Long-Term Financial Forecast in June 2020.

The review included best and worst-case variants of the financial forecast in assessing the Group's resilience to a variety of possible outcomes of the coronavirus pandemic on the Group's performance. The assumptions modelled in the worst-case variant included a delay and a reduction in rent collection levels, and where relevant delays and reductions in sales of properties. The results of the worst-case indicated that the Group could sustain the impact of significant prudent assumptions and is able to continue to operate, with adequate cash resources available and comply with all banking covenants. Mitigating actions which could be taken at the Group's discretion should the impact exceed the worst-case variant were explored and include property disposals, delaying uncommitted expenditure and reviewing costs with a view to achieving further savings. Therefore, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Group continues continue to adopt the going concern basis in preparing its financial statements.

The Association has net liabilities and is supported by its asset owning subsidiaries. A2Dominion Housing Group Limited's Board has effective control over these subsidiaries and their assets. These subsidiaries provide ongoing support to their parent which will continue to allow A2Dominion Housing Group Limited to meet its liabilities as they fall due.

### Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent association would be identical
- No cash flow statement has been presented for the parent association
- No disclosure has been given for the aggregate remuneration of the key management personnel of the association as their remuneration is included in the totals for the Group as a whole

### Basis of consolidation

As required by the Statement of Recommended Practice: Accounting by registered social housing providers 2018, the Group has prepared consolidated financial statements. The Group consolidated financial statements present the results of the Association and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

As required by FRS102 section 9 paragraph 11 Special Purpose Entities (SPE) are fully consolidated in the Group's financial statements where the Group controls that entity. An entity is controlled by the Group where the Group retains the risks, receives the majority of the benefits, has ultimate decision making powers and the activities of the SPE are being conducted on behalf of the Group.

In the consolidated financial statements, the items of subsidiaries are recognised in full. On initial recognition, non-controlling interests are measured at the proportionate share of the acquired business' identified assets and liabilities. The minority interests' proportionate shares of the subsidiaries' results and equity are recognised separately in the statement of comprehensive income and statement of financial position, respectively.

### Jointly controlled entities

An entity is treated as a jointly controlled entity where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the jointly controlled entities. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated statement of financial position, the interests in jointly controlled entity undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

### Turnover

Turnover comprises rental income receivable in the year, income from property developed for sale including shared ownership first tranche sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, donations received and revenue grants receivable in the year. Rental income is recognised at the point properties become available for letting and income from first tranche sales and developed for sale properties are recognised at the point of legal completion. Other income is recognised in the period it is receivable.

### Operating segments

There are publicly traded securities within the Group and therefore a requirement to disclose information about the Group operating segments under IFRS 8. For the purposes of segmental reporting the chief operating decision makers (CODM) have been identified as the Executive Management Team (EMT) and the Board. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. Segmental information is disclosed in note 4 and as part of the analysis of housing properties in note 14.

EMT and the Board review the Group's internal reporting to assess performance and allocate resources. Management has determined the operating segments as social housing lettings, other social housing activities and non-social housing activities. Other social housing activities includes supporting people services, management services, leasehold services, community investment and social housing property sales. Non-social housing activities includes non-social housing lettings, joint controlled entity operating profits and housing developed for sale. Assets and liabilities are not reported by operating segment or tenure other than housing properties, which are shown in note 14, classified between general housing and shared ownership.

### Long-term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Income earned from such contracts is stated at the amount appropriate to their stage of completion calculated using the percentage of completion method plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the statement of comprehensive income, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

### Supporting people income and expenditure

Income receivable and costs incurred from contracts are recognised in the period they relate to on a receivable basis and included within other social housing activities in the statement of comprehensive income. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

## ACCOUNTING POLICIES (CONTINUED)

**Supported housing managed by agencies**
Social Housing Grants and other revenue grants for supported housing claimed by the Group are included in the statement of comprehensive income. The treatment of other income and expenditure in respect of supported housing depends on whether the Group or its partner carries the financial risk.

Where the Group carries the financial risk, all the supported housing schemes' income and expenditure is included in the statement of comprehensive income.

**Service charges**
Service charges receivable are recognised in turnover. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable. The Group adopts the variable method for calculating and charging service charges to its leaseholders and shared owners. Tenants are charged a fixed service charge.

**Management of units owned by others**
Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

**Schemes managed by agents**
Income is shown as rent receivable and management fees payable to agents are included in operating costs.

**Current and deferred taxation**
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**Value added tax**
The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset in the statement of financial position.

**Finance costs**
FRS102 requires finance costs to be charged to the profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount after initially recognising issue costs as a reduction in the proceeds of the associated capital instrument.

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance.

Interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

**Pensions**
Contributions to the Group's defined contribution pension schemes are charged to the statement of comprehensive income in the year in which they become payable.

The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), the Surrey County Council Scheme and the Oxfordshire County Council Scheme.

Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs and any other changes in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs and finance costs with any actuarial gains and losses are recognised in the consolidated statement of comprehensive income. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities are recognised in the Group's statement of financial position.

**Holiday pay accrual**
A liability is provided for to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement at the balance sheet date.

**Housing properties**
Housing properties are principally properties available for rent and shared ownership.

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for impairment.

General needs housing properties for rent are split between their land and structure costs and a specific set of major components which require periodic replacement. On replacement the new major works component is capitalised with the related net book value of replaced components expensed through the statement of comprehensive income as accelerated depreciation. Component accounting is not applicable to shared ownership housing properties.

Improvements to existing properties which are outside the normal capitalisation policy of component additions, are works which result in an increase in the net rental income, such as a housing properties reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business and that provide an enhancement to the economic benefits in excess of the standard of performance anticipated when the asset was first acquired, constructed or last replaced.

Only the directly attributable overhead costs associated with new developments or improvements are capitalised.

# ACCOUNTING POLICIES (CONTINUED)

**Depreciation of housing properties**
Freehold land is not depreciated. Depreciation is charged so as to write down the cost of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

MAJOR COMPONENTS

| | | | |
|---|---|---|---|
| **Building** | 75 Years | Kitchens | 20 years |
| **Bathrooms** | 30 years | Heating | 15 years |
| **Roofs** | 50 years | Windows and doors | 30 years |
| **Lifts** | 20 years | Electrical | 30 years |

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the annual expected depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

**Donated land**
Land donated by local authorities and others is added to cost at the fair value of the land at the time of the donation, taking into account any restrictions on the use of the land.

**Land options**
The premium payable on an option to acquire land at a future date is amortised over the life of the option. The options are regularly reviewed to assess the likelihood of the option being exercised and at the early stages the majority of the associated expenses are charged to the statement of comprehensive income.

**Shared ownership and staircasing**
Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, for an amount of between 25% and 75% of the open market value (the "first tranche"). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the statement of comprehensive income, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the statement of comprehensive income as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being recycled, deferred or abated and this is credited in the statement of comprehensive income in arriving at the surplus or deficit.

**Mixed tenure developments**
Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on appropriateness for each scheme.

**Other tangible fixed assets**
Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

| | |
|---|---|
| **Furniture, fixtures and fittings** | 20%–25% per annum |
| **Freehold offices** | 2% per annum |
| **Freehold alterations** | 10% per annum |
| **Leasehold offices** | Length of the lease |
| **Computers, office equipment and motor vehicles** | Between 14⅓% and 33⅓% per annum |

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

**Other intangible fixed assets**
Intangible fixed assets are recognised for IT projects and computer software including employee costs directly incurred in development.

Amortisation is provided evenly on the cost of other intangible fixed assets to write them down to their estimated residual values over three years or their expected useful lives.

**Social housing grant (SHG)**
Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the SORP for Registered Social Housing Providers 2018. Grant is carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with SORP for Registered Social Housing Providers 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where SHG funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a qualifying new development and moved to work in progress. When the new development is completed the SHG is moved back into deferred income and amortised. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

**Other grants**
Other grants are receivable from local authorities and other organisations. Capital grants are carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

**Recycled Capital Grant Fund**
Following certain relevant events, primarily the sale of dwellings, the RSH can direct the Group to recycle the capital grant (SHG) or to repay the recoverable capital grant back to the RSH. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

**Sales under Right to Buy**
Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are included within surplus on sale of fixed assets on the face of the statement of comprehensive income. The surpluses or deficits are calculated by reference to the carrying value of the properties. On the occurrence of a sale of properties that were originally transferred to Spelthorne Housing Association (now owned by A2Dominion South Limited), a relevant proportion of the proceeds is payable back to Spelthorne Borough Council.

**Investment properties**
Investment properties consist of commercial, student accommodation and market rent properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised as part of the surplus for the year.

Investment properties under construction are carried at cost.

**Valuation of investments**
Investments in subsidiaries are measured at cost, less any provision for impairment.

Cash and unlisted investments classified as fixed asset investments are measured at cost.

Listed investments classified as fixed asset investments are remeasured to fair value at each balance sheet date. Gains and losses on remeasurement are recognised as part of the surplus for the year.

# ACCOUNTING POLICIES (CONTINUED)

### Impairment
The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

### Properties for sale
Housing properties that are built with the intention that they are to be transferred to another association are dealt with in current assets and are carried at cost and described as agency schemes for sale.

Shared ownership first tranche and commercial outright sale developments, both completed and under construction, are carried on the statement of financial position at the lower of cost and net realisable value. Cost comprises materials, direct labour, interest charges incurred during the development period and direct development overheads. Net realisable value is based on estimated sales price obtained from independent valuers and after allowing for all further costs of completion and disposal.

### Debtors and creditors
Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in operating costs.

### Recoverable amount of rental and other trade receivables
The Group estimates the recoverable value of rental and other receivables and impairs the debtor based on the age profile of the debt, historical collection rates and the class of debt.

### Concessionary loans
Concessionary loans are those loans made or received by the Group that are made:

- To further its public benefit objectives
- At a rate of interest which is below the prevailing market rate of interest
- Not repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The Group has a number of arrangements that are considered concessionary loans.

### Equity loans, Homebuy loans and grant
Under these arrangements the Group receives Social Housing Grant (Homebuy only) representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Group under these arrangements are disclosed in the investments section of the statement of financial position.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid and the amount of grant to be recycled is capped at the amount received when the loan was first advanced. If there is a fall in the value of the property, the shortfall of proceeds is offset against the recycled grant. There are no circumstances in which the Group will suffer any capital loss.

### Loans
All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), and subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

### Cash and cash equivalents
Cash and cash equivalents consist of cash at bank and in hand, deposits and short-term investments with an original maturity date of three months or less.

### Derivative instruments and hedge accounting
The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market value is calculated with reference to mid-market rates. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. Hedge effectiveness is assessed using the hypothetical derivative method. To the extent the hedge is effective movements in fair value adjustments (other than adjustments for Group or counter party credit risk) are recognised in other comprehensive income and presented in a separate cash flow hedge reserve.

### Leased assets
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

### Leasehold sinking funds
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

### Provisions
The Group recognises provisions for liabilities of uncertain timing or amounts. Provision is made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle a legal or constructive obligation at the balance sheet date.

Where the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the year it arises.

### Contingent liabilities
A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed of.

### Designated reserves
Designated reserves are held to provide reserves in respect of future major repairs spend. The Group maintains a reserve that covers the next three years, forecasted major repairs expenditure. Annually a transfer from designated reserves directly to the income and expenditure reserve is made for the value of the repairs expenditure incurred during that year.

### Restricted funds
Restricted funds are funds that can only be used for particular restricted purposes within the objects of the Group. Restrictions arise when specified by a donor or grant maker or when funds are raised for particular restricted purposes.

### Qualifying charitable donations
Entities within A2Dominion Group make qualifying charitable donations to other Group members to ensure that each entity has sufficient funding for their needs. All donations are initially treated as if they are distributions, made to the direct parent of that entity, and recorded in the statement of equity/reserves at of the point there is a legal obligation to make the payment. Qualifying charitable donations received from a subsidiary are treated as income and recognised at the point of legal entitlement.

In some cases the distribution may be made to the parent with the intention that it be transferred to another group member. Where that donation is transferred from the parent to another group member the payment is treated as an investment by the parent in the recipient. As the investment is made with no expectation of return, it is immediately impaired, and the impairment charge is recorded in the statement of comprehensive income. The substance of these transactions is that the receipt of the distribution and subsequent investment do not form part of the activities of the parent so these transactions are netted off in the statement of comprehensive income.

## 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- The categorisation of financial instruments as basic or other.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

### Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14 and 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- Investment Properties (see note 16)

Market Rent investment properties are professionally valued annually using a discounted cash flow method, in nominal terms, in line with the traditional approach used by private investors when appraising an opportunity. In each case, a 10-year holding period has been used, with reversion of an exit value defined by the type of asset. Appropriate assumptions have been used as set out below and have had regard for the investors' target rates of return and appropriate costs of servicing the buildings and tenancies.

This year the valuations are reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuation than would normally be the case. This has arisen due to the unknown future impact that coronavirus may have on the real estate market. As a result, the Group's investment property portfolio will be kept under regular review.

In line with the latest RICS guidance published on 20 July 2020, JLL removed the material uncertainty clause from their MV-T valuations from July 2020 onwards, throughout the UK, with immediate effect.

In each model the assumption for rent and house price growth is either 3.5% (in London) or 3% (everywhere else).

- Discount rate: 7%–8.25%
- Average cost per unit per annum (% of the gross rental income): 23%–30%
- Exit yield: 4.15%–5%

### Recovery of properties developed for sale (see note 19)

Properties developed for sale are carried on the statement of financial position at the lower of cost or net realisable value. Cost is taken as the production cost which includes an appropriate proportion of attributable overheads. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

- Fair value measurement of derivatives (see note 28)

These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

- Social Housing Pension Scheme (see note 30)

The SHPS defined benefit valuation liability is calculated based on proposed actuarial assumptions by The Pensions Trust. The Group has used these proposed assumptions.

## 4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

### 2020

| GROUP | TURNOVER £M | COST OF SALES £M | OPERATING COSTS £M | OTHER OPERATING ITEMS £M | OPERATING SURPLUS/(DEFICIT) £M |
|---|---|---|---|---|---|
| **Social housing lettings** | **209.8** | **-** | **(138.6)** | **-** | **71.2** |
| **Other social housing activities** | | | | | |
| Supporting people | 1.9 | - | (2.2) | - | (0.3) |
| Management services | 1.4 | - | (1.9) | - | (0.5) |
| First tranche sales | 6.0 | (4.1) | - | - | 1.9 |
| Buyback sales | 0.1 | (0.3) | - | - | (0.2) |
| Development costs not capitalised | - | - | (4.6) | - | (4.6) |
| Surplus on sale of fixed assets | - | - | - | 9.4 | 9.4 |
| Leasehold property services | 6.9 | - | (8.1) | - | (1.2) |
| Community investments | 0.4 | - | (3.8) | - | (3.4) |
| Impairment | - | - | (1.9) | - | (1.9) |
| Other | 2.2 | - | (2.4) | - | (0.2) |
| | **18.9** | **(4.4)** | **(24.9)** | **9.4** | **(1.0)** |
| **Non-social housing activities** | | | | | |
| Lettings | 32.8 | - | (12.1) | - | 20.7 |
| Developments for sale | 54.9 | (52.3) | - | - | 2.6 |
| Development costs not capitalised | - | - | (14.5) | - | (14.5) |
| Share of jointly-controlled entity operating profit | - | - | - | 8.7 | 8.7 |
| Pension provision | - | - | (0.9) | - | (0.9) |
| Reduction in net realisable value of development schemes | - | (7.8) | - | - | (7.8) |
| Strategic land abortive costs | - | - | (1.1) | - | (1.1) |
| Private care retirement sales | 2.3 | (1.6) | - | - | (0.7) |
| Other | 1.7 | - | - | - | 1.7 |
| | **91.7** | **(61.7)** | **(28.6)** | **8.7** | **10.1** |
| | **320.4** | **(66.1)** | **(192.1)** | **18.1** | **80.3** |

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

## 2019 RESTATED[1]

| GROUP | TURNOVER | COST OF SALES | OPERATING COSTS | OTHER OPERATING ITEMS | OPERATING SURPLUS/(DEFICIT) |
|---|---|---|---|---|---|
| | £M | £M | £M | £M | £M |
| Social housing lettings | 209.5 | - | (131.7) | - | 77.8 |
| | | | | | |
| Other social housing activities | | | | | |
| Supporting people | 2.0 | - | (2.3) | - | (0.3) |
| Management services | 0.4 | - | (2.9) | - | (2.5) |
| First tranche sales | 13.2 | (8.5) | - | - | 4.7 |
| Discount market sales | 5.5 | (4.0) | - | - | 1.5 |
| Development costs not capitalised | - | - | (2.5) | - | (2.5) |
| Surplus on sale of fixed assets | - | - | - | 9.7 | 9.7 |
| Leasehold property services | 6.2 | - | (6.5) | - | (0.3) |
| Community investments | 0.3 | - | (3.2) | - | (2.9) |
| Fire safety works provision | - | - | (13.5) | - | (13.5) |
| Impairment | - | - | (0.8) | - | (0.8) |
| Other | 2.2 | - | (1.9) | - | 0.3 |
| | 29.8 | (12.5) | (33.6) | 9.7 | (6.6) |
| | | | | | |
| Non-social housing activities | | | | | |
| Lettings | 27.4 | - | (14.1) | - | 13.3 |
| Developments for sale | 99.3 | (97.4) | - | - | 1.9 |
| Development costs not capitalised | - | - | (1.7) | - | (1.7) |
| Share of jointly controlled entity operating profit | - | - | - | 2.5 | 2.5 |
| Pension provision | - | - | (9.1) | - | (9.1) |
| Reduction in net realisable value of development schemes | - | (16.7) | - | - | (16.7) |
| Other | 6.2 | (1.8) | - | - | 4.4 |
| | 132.9 | (115.9) | (24.9) | 2.5 | (5.4) |
| | 372.2 | (128.4) | (190.2) | 12.2 | 65.8 |

[1]*Following the adoption of the triennial review amendments to FRS102 the share of jointly controlled entity operating profit has been included as part of the operating surplus in the statement of comprehensive income. In the financial statements for the year ended 31 March 2019 it was included after the operating surplus. The 2019 comparatives have been restated.*

| GROUP | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS | GENERAL NEEDS HOUSING £M | SUPPORTED HOUSING £M | TEMPORARY HOUSING £M | KEY WORKER £M | LOW COST HOME OWNERSHIP £M | TOTAL £M | TOTAL £M |
| Turnover from social housing lettings | | | | | | | |
| Rent receivable net of identifiable service charges | 119.4 | 9.3 | 10.5 | 17.9 | 16.2 | 173.3 | 174.3 |
| Service charges income | 7.3 | 5.0 | - | 1.1 | 4.5 | 17.9 | 17.2 |
| Amortised Government grants | 12.5 | 1.5 | 0.2 | 0.4 | 1.6 | 16.2 | 16.2 |
| | | | | | | | |
| Net rental income | 139.2 | 15.8 | 10.7 | 19.4 | 22.3 | 207.4 | 207.7 |
| Nomination fees | - | - | 0.4 | - | - | 0.4 | 0.4 |
| Other income | 0.8 | 0.7 | - | 0.1 | 0.4 | 2.0 | 1.4 |
| | | | | | | | |
| Turnover from social housing lettings | 140.0 | 16.5 | 11.1 | 19.5 | 22.7 | 209.8 | 209.5 |
| | | | | | | | |
| Expenditure on social housing lettings | | | | | | | |
| Management | (21.0) | (13.0) | (1.5) | (6.4) | (2.7) | (44.6) | (39.3) |
| Service charge costs | (13.4) | (4.1) | - | (1.0) | (4.3) | (22.8) | (22.0) |
| Routine maintenance | (14.4) | (2.2) | (0.9) | (1.3) | (0.5) | (19.3) | (16.7) |
| Planned maintenance and major repairs expenditure | (11.2) | (1.7) | - | (2.4) | (0.4) | (15.7) | (19.0) |
| Bad debts | (1.1) | (0.3) | - | (0.1) | (0.1) | (1.6) | (1.0) |
| Property lease charges | (0.1) | 0.2 | (2.0) | - | - | (1.9) | (2.5) |
| Depreciation of housing properties | (25.5) | (2.5) | (0.8) | (2.2) | - | (31.0) | (30.0) |
| Accelerated depreciation on replaced components | (1.0) | (0.5) | - | (0.2) | - | (1.7) | (1.2) |
| | | | | | | | |
| Operating costs on social housing lettings | (87.7) | (24.1) | (5.2) | (13.6) | (8.0) | (138.6) | (131.7) |
| | | | | | | | |
| Operating surplus/(deficit) on social housing lettings | 52.3 | (7.6) | 5.9 | 5.9 | 14.7 | 71.2 | 77.8 |
| | | | | | | | |
| Void losses | (0.6) | (0.8) | (0.3) | (0.7) | (0.1) | (2.5) | (2.3) |

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

| GROUP | 2020 | 2019 |
|---|---|---|
| PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS | £M | £M |
| Market rental | 21.4 | 16.8 |
| Student accommodation | 9.9 | 9.5 |
| Other | 1.5 | 1.1 |
| | **32.8** | **27.4** |

| ASSOCIATION 2020 | TURNOVER | OPERATING COSTS | OPERATING SURPLUS/(DEFICIT) |
|---|---|---|---|
| | £M | £M | £M |
| **Other social housing activities** | | | |
| Management services | 51.0 | (55.4) | (4.4) |
| Other | 2.4 | - | 2.4 |
| | **53.4** | **(55.4)** | **(2.0)** |

| ASSOCIATION 2019 | TURNOVER | OPERATING COSTS | OPERATING SURPLUS/(DEFICIT) |
|---|---|---|---|
| | £M | £M | £M |
| **Other social housing activities** | | | |
| Management services | 42.2 | (48.3) | (6.1) |
| Other | 2.4 | - | 2.4 |
| | **44.6** | **(48.3)** | **(3.7)** |

## 5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

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

| GROUP | 2019 NO. | ADDITIONS NO. | DISPOSALS NO. | RECLASSIFICATIONS NO. | 2020 NO. |
|---|---|---|---|---|---|
| **Social housing** | | | | | |
| General needs housing | 17,513 | - | (8) | 14 | **17,519** |
| Affordable housing | 1,065 | 48 | - | (10) | **1,103** |
| Supported housing and housing for older people | 2,272 | 37 | (103) | - | **2,206** |
| Shared ownership | 3,754 | 13 | - | (107) | **3,660** |
| Key worker accommodation | 2,698 | - | - | 10 | **2,708** |
| Temporary accommodation | 442 | - | - | (13) | **429** |
| Other (includes garages, offices and community centres) | 1,254 | 6 | (119) | - | **1,141** |
| **Total owned** | 28,998 | 104 | (230) | (106) | **28,766** |
| **Accommodation managed for others** | | | | | |
| Supported housing and housing for older people | 10 | - | - | - | **10** |
| General Needs | 1 | - | - | - | **1** |
| Leasehold | 4,693 | 86 | (18) | 101 | **4,862** |
| Freehold | 1,319 | 54 | (32) | 7 | **1,348** |
| Temporary accommodation | 161 | 1 | (12) | - | **150** |
| Market rent | - | 2 | - | - | **2** |
| Other | 3 | - | - | - | **3** |
| **Total managed for others** | 6,187 | 143 | (62) | 108 | **6,376** |
| **Total owned and managed** | 35,185 | 247 | (292) | 2 | **35,142** |
| **Non-social housing** | | | | | |
| Student accommodation | 1,456 | - | - | - | **1,456** |
| Market rent | 1,401 | 31 | (5) | (2) | **1,425** |
| Other – commercial | 91 | 11 | (1) | - | **101** |
| **Total owned** | 2,948 | 42 | (6) | (2) | **2,982** |

## 5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

| GROUP | 2019 NO. | ADDITIONS NO. | DISPOSALS NO. | RECLASSIFICATIONS NO. | 2020 NO. |
|---|---|---|---|---|---|
| Overall | | | | | |
| Total owned | 31,946 | 146 | (236) | (108) | **31,748** |
| Total managed for others | 6,187 | 143 | (62) | 108 | **6,376** |
| **Total owned and managed** | **38,133** | **289** | **(298)** | - | **38,124** |
| **Accommodation in development** | 7,601 | | | | **6,392** |

The Association does not own or manage any accommodation.

## 6. OPERATING SURPLUS

This is arrived at after charging/(crediting):

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| Depreciation of housing properties | 31.0 | 30.0 | - | - |
| Accelerated depreciation on replaced components | 1.7 | 1.2 | - | - |
| Depreciation of other tangible fixed assets | 1.7 | 2.7 | 1.0 | - |
| Depreciation of other intangible fixed assets | 1.0 | - | 0.9 | - |
| Impairment of housing properties | 1.9 | 0.8 | - | - |
| **Operating lease rentals** | | | | |
| Land and buildings | 4.2 | 4.8 | 1.6 | 1.6 |
| Office equipment, computers and vehicles | 0.3 | 0.3 | 0.3 | 0.3 |
| **Auditor's remuneration (exclusive of VAT)** | | | | |
| Fees payable for the audit of the group's accounts | 0.2 | 0.2 | - | - |

## 7. EMPLOYEES

Average monthly number of employees expressed in full time equivalents:

A full-time equivalent is based on a 35-hour week.

| | GROUP 2020 NO. | GROUP 2019 NO. | ASSOCIATION 2020 NO. | ASSOCIATION 2019 NO. |
|---|---|---|---|---|
| Administration | 287 | 275 | 239 | 224 |
| Development and sales | 96 | 81 | 96 | 81 |
| Housing, support and care | 694 | 650 | 581 | 547 |
| | **1,077** | **1,006** | **916** | **852** |

| | GROUP 2020 £M | GROUP 2019 £M. | ASSOCIATION 2020 £M | ASSOCIATION 2019 £M |
|---|---|---|---|---|
| **Employee costs** | | | | |
| Wages and salaries | 44.7 | 41.8 | 39.3 | 36.6 |
| Social security costs | 4.7 | 4.4 | 4.2 | 3.9 |
| Pension costs | 2.6 | 1.9 | 2.3 | 1.7 |
| Pension deficit payments to SHPS | 2.9 | 2.4 | 2.9 | 2.4 |
| Pension provision[1] | 0.2 | 0.2 | 0.2 | 0.2 |
| | **55.1** | **50.7** | **48.9** | **44.8** |
| **Pension costs recognised in other comprehensive income** | | | | |
| Derecognition of SHPS pension deficit funding liability | - | (13.9) | - | (13.9) |
| Initial recognition of SHPS pension liability | - | 25.5 | - | 25.5 |
| Actuarial (gain)/loss on SHPS pension | (13.0) | 2.8 | (13.0) | 2.8 |
| | **(13.0)** | **14.4** | **(13.0)** | **14.4** |

[1]*provision for the local Government pension schemes.*

## 8. DIRECTORS AND SENIOR EXECUTIVE REMUNERATION

| | GROUP 2020 £'000 | GROUP 2019 £'000 |
|---|---|---|
| Salary and other benefits | 1,349 | 1,514 |
| Pension contributions, or pay in lieu thereof, in respect of services as Directors | 91 | 108 |
| **Total remuneration paid to executive officers** | **1,440** | **1,622** |
| Emoluments of the highest paid executive officer | | |
| (excluding pension contributions and pay in lieu thereof[1] but including performance related pay and benefits in kind) | 279 | 276 |

[1]*The chief executive is not a member of a pension scheme and received a payment in lieu of £20,456 (2019: £19,536), the equivalent of the employer's contribution.*

Salary banding for all employees earning over £60,000 (includes salary, performance related pay, compensation for loss of office, benefits in kind and pension contributions paid by the Group).

| SALARY BANDING | 2020 NO. | 2019 NO. |
|---|---|---|
| £60,000 to £70,000 | 38 | 35 |
| £70,001 to £80,000 | 20 | 16 |
| £80,001 to £90,000 | 23 | 20 |
| £90,001 to £100,000 | 13 | 9 |
| £100,001 to £110,000 | 10 | 5 |
| £110,001 to £120,000 | 5 | 3 |
| £120,001 to £130,000 | 3 | 5 |
| £130,001 to £140,000 | 1 | 2 |
| £140,001 to £150,000 | 8 | 4 |
| £150,001 to £160,000 | 3 | 8 |
| £160,001 to £170,000 | 2 | - |
| £190,001 to £200,000 | 1 | - |
| £200,001 to £210,000 | - | 1 |
| £210,001 to £220,000 | 2 | 2 |
| £240,001 to £250,000 | 2 | 2 |
| £290,001 to £300,000 | 1 | 1 |
| | **132** | **113** |

## 9. BOARD MEMBERS

Fees of £134,000 (2019: £131,083) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £11,500 (2019: £11,500). Non-executive board members during the year ended 31 March 2020 were paid as follows:

| | | MEMBER OF | | | | | |
|---|---|---|---|---|---|---|---|
| BOARD/ COMMITTEE MEMBER | MEMBERSHIP PAY | AUDIT, RISK AND ASSURANCE COMMITTEE | CUSTOMER ADVISORY PANEL | DEVELOPMENT AND PROPERTY PANEL | TREASURY COMMITTEE | GOVERNANCE AND REMUNERATION COMMITTEE | GROUP BOARD |
| Peter Braithwaite | 7,500 | | | ● | | | |
| Rachel Barber | 4,000 | | ● | | | | |
| Jane Clarke | 4,000 | | ● | | | | |
| David Coates | 16,000 | ● | ● | | | | ● |
| Ian Cox (Chair) | 24,000 | | | | | ● | ● |
| Sara Dickinson | 14,000 | | | | ● | ● | ● |
| Mark Gallagher | 9,500 | ● | | ● | | | |
| Martin Huckerby | 6,000 | ● | | | ● | | |
| Pauline McMichael | 4,000 | | ● | | | | |
| Ingrid Sadiki | 4,000 | | ● | | | | |
| Caroline Tiller | 14,000 | ● | ● | | | | ● |
| Caroline Tolhurst | 16,000 | | | ● | | ● | ● |
| Peter Walker | 11,000 | ● | | | ● | | ● |

## 10. SURPLUS ON SALE OF FIXED ASSETS

| | 2020 | | | | | 2019 |
|---|---|---|---|---|---|---|
| GROUP | SHARED OWNERSHIP £M | INVESTMENT PROPERTIES £M | OTHER HOUSING PROPERTIES £M | HOMEBUY & EQUITY LOANS £M | TOTAL £M | TOTAL £M |
| Disposal proceeds | 18.7 | 0.9 | 4.1 | 0.2 | 23.9 | 24.3 |
| Cost of disposals | (10.9) | (0.9) | (1.8) | (0.1) | (13.7) | (15.1) |
| Selling costs | (0.1) | - | - | - | (0.1) | (0.1) |
| Grant recycled | (0.6) | - | (0.1) | - | (0.7) | (0.5) |
| Right to acquire restatement (note 25) | - | - | - | - | - | 1.1 |
| **Surplus on sale of fixed assets** | **7.1** | **-** | **2.2** | **0.1** | **9.4** | **9.7** |

## 11. INTEREST RECEIVABLE AND OTHER INCOME

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| Interest receivable and similar income | 2.1 | 7.9 | 0.3 | 1.4 |
| Received from other Group entities | - | - | 19.6 | 18.2 |
| | **2.1** | **7.9** | **19.9** | **19.6** |

## 12. INTEREST PAYABLE AND SIMILAR CHARGES

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 NO. | 2019 NO. | 2020 NO. | 2019 NO. |
| Loans and bank overdrafts (on liabilities at amortised cost) | 69.2 | 72.1 | 18.3 | 16.9 |
| Finance related costs | 3.4 | 2.2 | 0.1 | 0.1 |
| Recycled capital grant fund/ disposal proceeds fund | 0.1 | 0.2 | - | - |
| | 72.7 | 74.5 | 18.4 | 17.0 |
| Interest payable capitalised on housing properties under construction | (13.2) | (14.9) | - | - |
| | 59.5 | 59.6 | 18.4 | 17.0 |
| Capitalisation rates used to determine the finance costs capitalised during the year | 4.3%–5.5% | 4.8%–5.4% | - | - |
| **Other financing costs through other comprehensive income** | | | | |
| Loss on fair value of hedged derivative instruments | (12.9) | (3.6) | - | - |

## 13. TAX ON SURPLUS ON ORDINARY ACTIVITIES

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| **Current tax** | | | | |
| UK corporation tax on surplus for the year | - | - | - | - |
| Adjustments in respect of prior years | - | - | - | - |
| Total current tax charge | - | - | - | - |
| **Deferred tax** | | | | |
| Effect of tax rate change on opening balances | 0.2 | - | - | - |
| Adjustment in respect of prior periods | - | 0.7 | - | - |
| Origination and reversal of timing differences | (2.2) | (0.4) | - | - |
| Total deferred tax (credit)/charge | (2.0) | 0.3 | - | - |
| Total (credit)/charge in the year | (2.0) | 0.3 | - | - |
| **Movement in deferred tax charge** | | | | |
| Provision at start of year | 2.3 | 2.7 | - | - |
| Deferred tax charged in the income and expenditure account for the year | (2.0) | 0.3 | - | - |
| Deferred tax charged in the statement of equity | (0.4) | (0.7) | - | - |
| Provision at end of year | (0.1) | 2.3 | - | - |

## 13. TAX ON SURPLUS ON ORDINARY ACTIVITIES (CONTINUED)

A reconciliation of the tax charge to the surplus on ordinary activities before tax is provided below:

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| Surplus on ordinary activities before tax | 18.6 | 25.5 | (1.2) | (1.8) |
| UK corporation tax at 19% (2019: 19%) | 3.5 | 4.8 | (0.2) | (0.3) |
| **Effects of:** | | | | |
| Other tax adjustments, reliefs and transfers | (0.3) | (0.9) | - | - |
| Tax rate changes | - | - | - | - |
| Deferred tax not recognised | 2.9 | 2.5 | - | - |
| Timing differences | (1.3) | - | - | - |
| Capital losses | (0.9) | - | - | - |
| Expenses not deductible for tax purposes | 63.9 | 66.8 | 15.1 | 12.6 |
| Income not taxable for tax purposes | (69.9) | (74.1) | (14.9) | (12.3) |
| Prior period adjustment for deferred tax on capitalised interest | - | 2.0 | - | - |
| Prior period adjustment for deferred tax on interest rate swaps | - | (0.5) | - | - |
| Fixed asset differences | 0.1 | (0.3) | - | - |
| **Current tax (credit) / charge for year** | **(2.0)** | **0.3** | **-** | - |

## 14. TANGIBLE FIXED ASSETS – PROPERTIES

| HOUSING PROPERTIES | SOCIAL HOUSING COMPLETED | SOCIAL HOUSING UNDER CONSTRUCTION | SHARED OWNERSHIP COMPLETED | SHARED OWNERSHIP UNDER | KEYWORKER COMPLETED | TOTAL |
|---|---|---|---|---|---|---|
| | £M | £M | £M | £M | £M | £M |
| **Cost or valuation** | | | | | | |
| At 1 April 2019 | 2,415.7 | 76.2 | 310.5 | 59.6 | 128.6 | **2,990.6** |
| Reclassification | 0.1 | (0.9) | - | 0.9 | (0.1) | **-** |
| **Additions at cost** | | | | | | |
| Construction works | - | 67.8 | - | 32.1 | - | **99.9** |
| Works to existing properties | 13.9 | 0.1 | (0.2) | - | 1.6 | **15.4** |
| Transfer from investment properties | 0.5 | - | - | - | - | **0.5** |
| Transfer to current assets | - | - | (0.3) | - | - | **(0.3)** |
| Schemes completed | 4.5 | (4.5) | 4.0 | (4.0) | - | **-** |
| **Disposals** | | | | | | |
| Planned disposals | (1.7) | - | - | - | - | **(1.7)** |
| Replaced components | (6.7) | - | - | - | (0.5) | **(7.2)** |
| Staircasing sales | - | - | (10.9) | - | - | **(10.9)** |
| **At 31 March 2020** | **2,426.3** | **138.7** | **303.1** | **88.6** | **129.6** | **3,086.3** |
| **Depreciation and impairment** | | | | | | |
| At 1 April 2019 | 329.4 | 1.9 | 0.4 | 0.4 | 25.2 | **357.3** |
| Charge for the year | 28.8 | - | - | - | 2.2 | **31.0** |
| Impairment | - | 0.6 | - | 1.3 | - | **1.9** |
| **Disposals** | | | | | | |
| Planned disposals | (0.2) | - | - | - | - | **(0.2)** |
| Replaced components | (5.2) | - | - | - | (0.2) | **(5.4)** |
| **At 31 March 2020** | **352.8** | **2.5** | **0.4** | **1.7** | **27.2** | **384.6** |
| **Net book value** | | | | | | |
| **At 31 March 2020** | **2,073.5** | **136.2** | **302.7** | **86.9** | **102.4** | **2,701.7** |
| At 31 March 2019 | 2,086.3 | 74.3 | 310.1 | 59.2 | 103.4 | 2,633.3 |

The amount of interest capitalised in housing properties for the year is £7.5 million (2019: £5.2 million). Reclassifications represent the reapportionment of base costs between tenures. 241 units are impacted by impairment loss.

## 14. TANGIBLE FIXED ASSETS – PROPERTIES (CONTINUED)

| | GROUP 2020 £M | 2019 £M |
|---|---|---|
| **Housing properties book value, net of depreciation comprises:** | | |
| Freehold land and buildings | 1,871.5 | 1,807.7 |
| Long leasehold land and buildings | 767.3 | 762.3 |
| Short leasehold land and buildings | 62.9 | 63.3 |
| | **2,701.7** | **2,633.3** |
| **Expenditure on works to existing properties** | | |
| Amounts capitalised | 15.4 | 13.9 |
| Amounts charged to income and expenditure account | 15.7 | 19.0 |
| **Total** | **31.1** | **32.9** |

The amount of assets given as security (EUV basis of valuation) as at 31 March 2020 is £1.8 billion (2019: £1.8 billion).

| VALUATION FOR DISCLOSURE ONLY | 2020 £M |
|---|---|
| Completed housing properties at valuation | **3,211.6** |

The completed housing properties at valuation disclosed above includes housing properties held as investment properties (note 16).

For information purposes only, completed housing properties are valued at 31 March 2020 by Jones Lang LaSalle Limited and Savills (L&P), qualified professional independent external valuers.

The valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Properties are valued either at Existing Use Value for Social Housing (EUV-SH), for all Social Housing and Shared Ownership properties, or Market Value Tenanted (MV-T) for all non-social housing.

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

| | |
|---|---|
| **Social housing and shared ownership only** | |
| Discount rate | 5%–8% |
| | |
| **Rent Assumptions** | |
| Social rented (including supported housing and housing for older people) | Current rent plus CPI+1% for the next year |
| Shared ownership | RPI +0.5% |
| Other rents | RPI +1% or in accordance with any relevant lease or nominations agreements. |

## 15. OTHER FIXED ASSETS

| GROUP | OTHER TANGIBLE FIXED ASSETS | | | | | | OTHER INTANGIBLE FIXED ASSETS | |
|---|---|---|---|---|---|---|---|---|
| | FURNITURE, FIXTURES AND FITTINGS £M | LEASEHOLD OFFICES £M | FREEHOLD ALTERATIONS £M | COMPUTERS, OFFICE EQUIPMENT AND MOTOR VEHICLES £M | FREEHOLD OFFICES £M | TOTAL TANGIBLE ASSETS £M | COMPUTER SOFTWARE & IT PROJECT £M | TOTAL INTANGIBLE ASSETS £M |
| **Cost** | | | | | | | | |
| At 1 April 2019 restated[1] | 6.9 | 1.9 | 1.1 | 4.5 | 22.8 | **37.2** | 7.4 | **7.4** |
| Additions | 1.4 | - | - | 0.6 | - | **2.0** | 9.6 | **9.6** |
| Disposals | (2.2) | (1.1) | (1.1) | (2.5) | - | **(6.9)** | (1.5) | **(1.5)** |
| At 31 March 2020 | 6.1 | 0.8 | - | 2.6 | 22.8 | **32.3** | 15.5 | **15.5** |
| **Depreciation** | | | | | | | | |
| At 1 April 2019 restated[1] | 4.5 | 1.4 | 1.1 | 3.7 | 1.3 | **12.0** | 3.2 | **3.2** |
| Charged in year | 0.9 | - | - | 0.5 | 0.3 | **1.7** | 1.0 | **1.0** |
| Disposals | (2.2) | (1.1) | (1.1) | (2.5) | - | **(6.9)** | (1.5) | **(1.5)** |
| At 31 March 2020 | 3.2 | 0.3 | - | 1.7 | 1.6 | **6.8** | 2.7 | **2.7** |
| **Net book value** | | | | | | | | |
| At 31 March 2020 | **2.9** | **0.5** | **-** | **0.9** | **21.2** | **25.5** | **12.8** | **12.8** |
| **Net book value** | | | | | | | | |
| At 1 April 2019 restated[1] | 2.3 | 0.6 | - | 0.8 | 21.6 | **25.3** | 4.1 | **4.1** |

[1] *Computer software costs and depreciation were included as part of other tangible fixed asset in the financial year 2019. These have been disclosed separately as intangible fixed assets in financial year 2020.*

## 15. OTHER FIXED ASSETS (CONTINUED)

| ASSOCIATION | OTHER TANGIBLE FIXED ASSETS | | | | OTHER INTANGIBLE FIXED ASSETS | |
|---|---|---|---|---|---|---|
| | FURNITURE, FIXTURES AND FITTINGS £M | LEASEHOLD OFFICES £M | COMPUTERS, OFFICE EQUIPMENT AND MOTOR VEHICLES £M | TOTAL TANGIBLE ASSETS £M | COMPUTER SOFTWARE & IT PROJECT £M | TOTAL INTANGIBLE ASSETS £M |
| **Cost** | | | | | | |
| At 1 April 2019 restated[1] | - | - | - | **-** | 1.1 | **1.1** |
| Additions | 1.2 | - | 0.6 | **1.8** | 9.6 | **9.6** |
| Transfer to/from other entities | 1.5 | 0.8 | 2.0 | **4.3** | 4.8 | **4.8** |
| At 31 March 2020 | 2.7 | 0.8 | 2.6 | **6.1** | 15.5 | **15.5** |
| **Depreciation** | | | | | | |
| At 1 April 2019 restated[1] | - | - | - | **-** | - | **-** |
| Charged in year | 0.4 | 0.1 | 0.5 | **1.0** | 0.9 | **0.9** |
| Transfer to/from other entities | 1.0 | 0.2 | 1.2 | **2.4** | 1.8 | **1.8** |
| At 31 March 2020 | 1.4 | 0.3 | 1.7 | 3.4 | 2.7 | **2.7** |
| **Net book value** | | | | | | |
| At 31 March 2020 | **1.3** | **0.5** | **0.9** | **2.7** | **12.8** | **12.8** |
| **Net book value** | | | | | | |
| At 1 April 2019 restated[1] | - | - | - | - | 1.1 | **1.1** |

[1] *Computer software costs and depreciation were included as part of other tangible fixed asset in the financial year 2019. These have been disclosed separately as intangible fixed assets in financial year 2020*

## 16. INVESTMENT PROPERTIES

| GROUP | STUDENT ACCOMMODATION £M | MARKET RENT £M | COMMERCIAL £M | PROPERTIES UNDER CONSTRUCTION AT COST £M | TOTAL £M |
|---|---|---|---|---|---|
| **At 1 April 2019** | 117.0 | 450.6 | 19.7 | 65.5 | 652.8 |
| Additions | - | - | - | 71.1 | 71.1 |
| Disposals | - | (0.9) | - | - | (0.9) |
| Schemes completed | - | 10.0 | - | (10.0) | - |
| Transfer to fixed asset properties | - | (0.4) | (0.1) | - | (0.5) |
| Revaluation | 7.5 | (7.0) | (2.0) | (2.4) | (3.9) |
| At 31 March 2020 | **124.5** | **452.3** | **17.6** | **124.2** | **718.6** |

The Group's investment properties are valued annually on 31 March at fair value, determined by Jones Lang LaSalle Limited, qualified professional independent external valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

This year the valuations are reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuation than would normally be the case. This has arisen due to the unknown future impact that coronavirus may have on the real estate market. As a result the Group's investment property portfolio will be kept under regular review.

In line with the latest RICS guidance published on 20 July 2020, JLL removed the material uncertainty clause from their MV-T valuations from July 2020 onwards, throughout the UK, with immediate effect.

In valuing investment properties, a discounted cash flow methodology was adopted with the following key assumptions:

| | |
|---|---|
| Discount rate | 7.00%–8.25% |
| Level of long-term annual rent increase | 3.00%–3.50% |

Commercial properties have been valued using a term and reversion method (where the current rental stream has been capitalised for the term certain of the lease and thereafter the market rent has been capitalised into perpetuity).

Full vacant possession value for the market rent properties at 31 March 2020 is £502.7 million. This gives an indication of the worth of these if they were to be sold individually in the open property market.

Student accommodation has been valued using a market based approach, where each asset has been valued on an individual basis.

The deficit on revaluation of investment property of £3.9 million (2019: surplus of £9.2 million) has been debited to the statement of comprehensive income for the year.

## 17. INVESTMENTS – HOMEBUY LOANS

| GROUP | 2020 £M | 2020 £M |
|---|---|---|
| At 1 April | 2.6 | 2.6 |
| Loans redeemed | (0.1) | - |
| | | |
| **At 31 March** | **2.5** | **2.6** |

## 18. FIXED ASSET INVESTMENTS

| | GROUP | | | ASSOCIATION |
|---|---|---|---|---|
| | EQUITY LOANS £M | OTHER £M | TOTAL £M | INVESTMENT IN SUBSIDIARIES £M |
| At 1 April 2019 | 5.1 | 16.5 | 21.6 | - |
| Additions | - | - | - | 4.9 |
| Disposal/redeemed | (0.3) | - | (0.3) | - |
| Movement in fair value | - | 0.5 | 0.5 | - |
| Impairment of investment | - | - | - | (4.9) |
| | | | | |
| **At 31 March 2020** | **4.8** | **17.0** | **21.8** | **-** |

Other investments relate to the following, representing fair value remeasurements:

| | 31 MARCH 2020 | | 31 MARCH 2019 | |
|---|---|---|---|---|
| | COST £M | MARKET VALUE £M | COST £M | MARKET VALUE £M |
| Investments listed on a recognised stock exchange | 1.0 | 0.8 | 1.0 | 0.9 |
| British Government securities | 3.2 | 6.3 | 3.2 | 5.8 |
| Cash and similar investments | 9.3 | 9.5 | 9.3 | 9.4 |
| Other | 0.2 | 0.4 | 0.2 | 0.4 |
| | **13.7** | **17.0** | **13.7** | **16.5** |

| GROUP | JOINTLY CONTROLLED ENTITIES £M |
|---|---|
| **Cost** | |
| At 1 April 2019 | 76.1 |
| Additions | 16.7 |
| Disposal/redeemed | (0.7) |
| | |
| At 31 March 2020 | 92.1 |
| | |
| **Share of retained profits** | |
| At 1 April 2019 | (7.0) |
| Profit for the year | 8.7 |
| Distributions | (1.1) |
| | |
| 31 March 2020 | 0.6 |
| | |
| **Net book value** | |
| At 31 March 2020 | 92.7 |
| | |
| At 31 March 2019 | 69.1 |

There was no premium on acquisition relating to the jointly controlled entities.

## 18. FIXED ASSET INVESTMENTS (CONTINUED)

The Group holds an interest in thirteen jointly controlled entities through A2Dominion Developments Limited:

| COMPANY | COUNTRY OF INCORPORATION OR REGISTRATION | PARTNER | GROUP INTEREST | GROUP VOTING RIGHTS | NATURE OF BUSINESS | NATURE OF ENTITY |
|---|---|---|---|---|---|---|
| Elmsbrook (Crest A2D) LLP | England | Crest Nicholson Operations Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| Green Man Lane LLP | England | Real (Ealing) Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| Queen's Wharf Riverside LLP | England | Hammersmith Developments Holdco Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| Elmsbrook (Crest A2D) LLP | England | Crest Nicholson Operations Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| Keybridge House LLP | England | Mount Anvil (Keybridge House) Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| Crest A2D (Walton Court) LLP | England | Crest Nicholson Operations Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| Keybridge House 2 LLP | England | Mount Anvil (Keybridge House 2) Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| A2D NK Homes LLP | England | Nicholas King Homes PLC | 80% | 50% | Develops and sell properties | Limited Liability Partnership |
| New Cross Gate Phase 1 LLP | England | Mount Anvil (New Cross Gate) 1 Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| New Cross Gate Phase 2 LLP | England | Mount Anvil (New Cross Gate) 2 Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| New Cross Gate Phase 3 LLP | England | Mount Anvil (New Cross Gate) 3 Limited | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| A2D NKH Chinnor LLP | England | Nicholas King Homes PLC | 80% | 50% | Develops and sell properties | Limited Liability Partnership |
| West King Street Renewal LLP | England | London Borough of Hammersmith and Fulham | 50% | 50% | Develops and sell properties | Limited Liability Partnership |
| A2DD-HP Boston Road LLP | England | Higgins Construction PLC | 50% | 50% | Develops and sell properties | Limited Liability Partnership |

The amount included in respect of jointly controlled entities includes the following:

| | A2D NK HOMES LLP | A2D NK HOMES (CHINNOR) LLP | GREEN MAN LANE LLP | QUEEN'S WHARF RIVERSIDE LLP | KEYBRIDGE HOUSE LLP | KEYBRIDGE HOUSE 2 LLP | CREST A2D (WALTON COURT) LLP | ELMSBROOK (CREST A2D) LLP | NEW CROSS GATE PHASE 1 LLP | A2DD-HP BOSTON ROAD LLP | WEST KING STREET RENEWAL LLP | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M |
| Turnover | 4.7 | 8.0 | - | 0.2 | 43.1 | - | - | 5.5 | - | - | - | 61.5 |
| Cost of sales and administration expenses | (4.0) | (6.4) | - | 0.1 | (37.6) | - | - | (4.6) | - | - | - | (52.5) |
| Other finance costs | - | - | - | - | (0.3) | - | - | - | - | - | - | (0.3) |
| **Surplus/(deficit) for the year** | 0.7 | 1.6 | - | 0.3 | 5.2 | - | - | 0.9 | - | - | - | 8.7 |
| **Share of:** | | | | | | | | | | | | |
| Current assets | 32.0 | 7.0 | 6.3 | 0.8 | 54.0 | 24.0 | 20.6 | 13.6 | 1.6 | - | 6.0 | 165.9 |
| Liabilities due within one year | (19.3) | (2.5) | (6.3) | (0.8) | (17.6) | (24.4) | (0.9) | (1.4) | - | - | - | (73.2) |
| **Net assets** | 12.7 | 4.5 | - | - | 36.4 | (0.4) | 19.7 | 12.2 | 1.6 | - | 6.0 | 92.7 |
| **Share of capital commitments** | 21.9 | 0.6 | 22.6 | - | - | 9.9 | 34.6 | 13.7 | - | 21.5 | 25.1 | 149.9 |

During the year Keybridge House LLP sold 89 units, Elmsbrook (Crest A2D) LLP 31 units, A2D NK Homes (Chinnor) LLP 24 units and A2D NK Homes LLP 13 units. The other finance costs for Keybridge House LLP relate to interest the Group's share of interest on loan from A2Dominion Residential Limited to the LLP (note 37).

## 18. FIXED ASSET INVESTMENTS (CONTINUED)

The principal undertakings in which the Association has an interest are as follows:

| COMPANY | COUNTRY OF INCORPORATION OR REGISTRATION | GROUP'S SHARE OF VOTING RIGHTS | NATURE OF BUSINESS | NATURE OF ENTITY |
|---|---|---|---|---|
| A2Dominion Homes Limited | England | 100% | Rents properties for social housing | Registered provider of social housing |
| A2Dominion South Limited | England | 100% | Rents properties for social housing | Registered provider of social housing |
| A2Dominion Housing Options Limited | England | 100% | Rents properties for affordable housing | Non-charitable registered provider of social housing |
| A2Dominion Residential Limited | England | 100% | Rents properties at market rents | Incorporated Company |
| A2Dominion Developments Limited | England | 100% | Develops and sells properties | Incorporated Company |
| A2Dominion Housing Finance Limited | England | 100% | Raise funds for the operational business | Non-charitable Co-operative and Benefit Society |
| A2Dominion Treasury Limited | England | 100% | Raise funds for the operational business | Incorporated Company |
| Pyramid Plus London LLP | England | 70% | Property maintenance services | Limited Liability Partnership |
| Pyramid Plus South LLP | England | 70% | Property maintenance services | Limited Liability Partnership |
| A2D Funding PLC[1] | England | - | Issue retail bonds and lend proceeds | Public Limited Company |
| A2D Funding II PLC[1] | England | - | Issue retail bonds and lend proceeds | Public Limited Company |
| A2Dominion Enterprises Limited | England | 100% | Dormant Company | Incorporated Company |
| A2Dominion Investments Limited | England | 100% | Dormant Company | Incorporated Company |
| Affordable Property Management Limited | England | 100% | Dormant Company | Incorporated Company |
| Home Farm Exemplar Limited | England | 100% | Non Trading | Incorporated Company |
| Westland Close Management Limited | England | 100% | Dormant Company | Incorporated Company |
| Kingsbridge Residential Limited | England | 100% | Dormant Company | Incorporated Company |
| Upper Richmond Buildings Limited | England | 100% | Non Trading | Incorporated Company |

*[1]The Group guarantees the bond issue principal and interest within A2D Funding PLC and A2D Funding II PLC.*

## 19. PROPERTIES FOR SALE

| | GROUP 2020 £M | 2019 £M |
|---|---|---|
| Open market sale – completed properties | 23.9 | 22.8 |
| Open market sale – under construction | 199.9 | 230.3 |
| Shared ownership – completed properties | 0.4 | 2.0 |
| Shared ownership – under construction | 41.3 | 21.7 |
| | **265.5** | **276.8** |

Capitalised interest included in the stock balances is £11.9 million (2019: £24.5 million).

## 20. DEBTORS

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| **Due within one year** | | | | |
| Rent and service charges receivable | 14.5 | 11.7 | - | - |
| Less: Provision for bad and doubtful debts | (8.6) | (6.6) | - | - |
| Net arrears | 5.9 | 5.1 | - | - |
| Trade debtors | 0.4 | 0.3 | 0.4 | 0.3 |
| Other debtors | 27.6 | 16.3 | 3.6 | 4.2 |
| VAT recoverable | - | 0.2 | - | 0.2 |
| Deposits on purchased schemes | - | 6.4 | - | - |
| Prepayments and accrued income | 13.3 | 12.1 | 1.4 | 2.2 |
| Loans due from joint venture | - | 15.1 | - | - |
| Amounts due from Group entities | - | - | 91.7 | 8.0 |
| Capital and agency debtors | 8.0 | 12.9 | - | - |
| Total | 55.2 | 68.4 | 97.1 | 14.9 |
| **Due after more than one year** | | | | |
| Loans due from subsidiary undertakings under on-lending arrangements | - | - | 627.5 | 424.2 |
| Loans due from joint venture | 6.9 | 2.1 | - | - |
| Interest rate swap collateral | 6.5 | - | | |
| Other debtors | 1.6 | 2.6 | - | - |
| Deferred tax (note 31) | 0.1 | - | - | - |
| | 15.1 | 4.7 | 627.5 | 424.2 |
| **Total** | **70.3** | **73.1** | **724.6** | **439.1** |

## 21. CASH AT BANK AND IN HAND

| | GROUP 2020 £M | 2019 £M | ASSOCIATION 2020 £M | 2019 £M |
|---|---|---|---|---|
| Cash at bank | 107.6 | 146.9 | 69.2 | 106.9 |
| Cash held in charge account[1] | 3.8 | 3.7 | 3.8 | 3.7 |
| Cash held in relation to sinking funds | 10.1 | 8.9 | - | - |
| | **121.5** | **159.5** | **73.0** | **110.6** |

[1]*This cash held as security for Surrey Local Government Pension Scheme.*

## 22. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | GROUP 2020 £M | 2019 £M | ASSOCIATION 2020 £M | 2019 £M |
|---|---|---|---|---|
| Loans and borrowings (note 27) | 27.2 | 37.1 | 6.7 | 6.4 |
| Trade creditors | 13.2 | 16.6 | 5.8 | 10.0 |
| Rent and service charges received in advance | 14.1 | 12.8 | - | - |
| Deferred capital grant (note 24) | 46.0 | 45.9 | - | - |
| Interest rate swap – cash flow hedge | - | 0.7 | - | - |
| Recycled capital grant fund (note 25) | 5.9 | 6.7 | - | - |
| Disposal proceeds fund (note 26) | - | 1.3 | - | - |
| Amounts owed to Group entities | - | - | 173.0 | 110.8 |
| Other taxation and social security | 3.0 | 1.2 | 1.5 | 1.0 |
| Other creditors | 7.0 | 6.4 | 2.5 | 1.9 |
| Accruals and deferred income | 57.6 | 42.2 | 11.9 | 8.2 |
| Interest accrued | 5.2 | 5.7 | - | - |
| Capital creditors | 13.6 | 18.1 | - | - |
| | **192.8** | **194.7** | **201.4** | **138.3** |

## 23. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | GROUP 2020 £M | 2019 £M | ASSOCIATION 2020 £M | 2019 £M |
|---|---|---|---|---|
| Loans and borrowings (note 27) | 1,690.9 | 1,571.7 | 624.5 | 421.6 |
| Deferred capital grant (note 24) | 1,035.6 | 1,043.5 | - | - |
| Interest rate SWAP – cash flow hedge | 86.0 | 72.3 | - | - |
| Recycled capital grant fund (note 25) | 8.0 | 10.5 | - | - |
| Sinking funds | 10.3 | 8.9 | - | - |
| Capital creditors | 6.8 | 11.5 | - | - |
| Deferred tax (note 31) | - | 2.3 | - | - |
| | **2,837.6** | **2,720.7** | **624.5** | **421.6** |

## 24. DEFERRED CAPITAL GRANT

| | 2020 HOUSING PROPERTY £M | HOMEBUY £M | TOTAL £M | 2019 HOUSING PROPERTY £M | HOMEBUY £M | TOTAL £M |
|---|---|---|---|---|---|---|
| At 1 April | 1,086.8 | 2.6 | 1,089.4 | 1,005.4 | 2.6 | 1,008.0 |
| Grants received during the year: | | | | | | |
| Housing properties | 3.0 | - | 3.0 | 91.3 | - | 91.3 |
| Recycled capital grant fund | 7.6 | - | 7.6 | 7.9 | - | 7.9 |
| Disposal proceeds fund | 1.3 | - | 1.3 | 1.8 | - | 1.8 |
| Grants recycled during the year: | | | | | | |
| Recycled capital grant fund | (3.4) | (0.1) | (3.5) | (3.2) | - | (3.2) |
| Disposal proceeds fund | - | - | - | (0.1) | - | (0.1) |
| Amortised grant | (16.2) | - | (16.2) | (16.2) | - | (16.2) |
| Grants written off during the year | - | - | - | (0.1) | - | (0.1) |
| **At 31 March** | **1,079.1** | **2.5** | **1,081.6** | **1,086.8** | **2.6** | **1,089.4** |
| Due within one year | 46.0 | - | 46.0 | 45.9 | - | 45.9 |
| Due in more than one year | 1,033.1 | 2.5 | 1,035.6 | 1,040.9 | 2.6 | 1,043.5 |

| TOTAL AMOUNT OF GRANT GIVEN | £M |
|---|---|
| Deferred capital grant | 1,307.7 |
| Amortised | (226.1) |
| | 1,081.6 |

## 25. RECYCLED CAPITAL GRANT FUND

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| GROUP | HE £M | GLA £M | TOTAL £M | HE £M | GLA £M | TOTAL £M |
| At 1 April | 3.7 | 13.5 | 17.2 | 4.2 | 16.5 | 20.7 |
| **Inputs to fund:** | | | | | | |
| Grants recycled from deferred capital grants | 0.7 | 2.8 | 3.5 | 1.0 | 2.2 | 3.2 |
| Grants recycled from statement of comprehensive income | 0.2 | 0.5 | 0.7 | 0.2 | 0.3 | 0.5 |
| Transfer from disposal proceeds fund | - | - | - | 0.3 | 0.3 | 0.6 |
| Interest accrued | - | 0.1 | 0.1 | - | 0.1 | 0.1 |
| **Recycling of grant:** | | | | | | |
| New build properties | (1.9) | (5.7) | (7.6) | (2.0) | (5.9) | (7.9) |
| In year adjustment to funding bodies classification | 0.6 | (0.6) | - | - | - | - |
| **At 31 March** | **3.3** | **10.6** | **13.9** | **3.7** | **13.5** | **17.2** |
| Due within one year | 1.0 | 4.9 | 5.9 | 1.0 | 5.7 | 6.7 |
| Due in more than one year | 2.3 | 5.7 | 8.0 | 2.7 | 7.8 | 10.5 |

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

There are no amounts of three years or older where payment may be required.

(HE: Homes England, GLA: Greater London Authority)

## 26. DISPOSAL PROCEEDS FUND

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| GROUP | HE £M | GLA £M | TOTAL £M | HE £M | GLA £M | TOTAL £M |
| At 1 April | 0.4 | 0.9 | 1.3 | 1.6 | 2.9 | 4.5 |
| **Inputs to fund:** | | | | | | |
| Funds recycled from deferred capital grants | - | - | - | - | 0.1 | 0.1 |
| Funds recycled to statement of comprehensive income | - | - | - | (0.5) | (0.5) | (1.0) |
| New build properties | (0.4) | (0.9) | (1.3) | (0.4) | (1.4) | (1.8) |
| Interest accrued | - | - | - | - | 0.1 | 0.1 |
| Transfer to recycled capital grant | - | - | - | (0.3) | (0.3) | (0.6) |
| **At 31 March** | **-** | **-** | **-** | **0.4** | **0.9** | **1.3** |
| Due within one year | - | - | - | 0.4 | 0.9 | 1.3 |

## 27. LOANS AND BORROWINGS

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| **Due within one year** | | | | |
| Bank loans | 23.9 | 34.0 | 6.7 | 6.4 |
| Other loans | 3.3 | 3.1 | - | - |
| | 27.2 | 37.1 | 6.7 | 6.4 |
| **Due after more than one year** | | | | |
| Bank loans | 676.8 | 764.2 | 107.5 | 114.2 |
| Other loans | 1,023.4 | 816.8 | 518.6 | 308.8 |
| Loan issue costs | (9.3) | (9.3) | (1.6) | (1.4) |
| | **1,690.9** | **1,571.7** | **624.5** | **421.6** |

## 27. LOANS AND BORROWINGS (CONTINUED)

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2020 £M | 2019 £M | 2020 £M | 2019 £M |
| Within one year | 27.2 | 37.1 | 6.7 | 6.4 |
| Between one and two years | 45.2 | 38.4 | 7.0 | 10.8 |
| Between two and five years | 269.2 | 423.6 | 22.3 | 18.2 |
| After five years | 1,385.8 | 1,119.0 | 596.8 | 394.0 |
| Loan issue costs | (9.3) | (9.3) | (1.6) | (1.4) |
| | **1,718.1** | **1,608.8** | **631.2** | **428.0** |

Loans and borrowings consist of bank loans secured by fixed charges on individual properties and the proceeds from retail, wholesale bonds and floating rate notes.

| | | | INTEREST RATE | | | MARGIN | |
|---|---|---|---|---|---|---|---|
| | LOAN BALANCE £M | PREMIUM/ (DISCOUNT) £M | LOWEST | HIGHEST | WEIGHTED AVERAGE | LOWEST | HIGHEST |
| Loans on floating rates | 168.6 | - | LIBOR | LIBOR | LIBOR | 0.25% | 1.75% |
| Floating rate loans hedged with interest rate swaps | 152.0 | - | 4.04% | 4.76% | 4.56% | 0.35% | 1.35% |
| Non-cancellable floating rate loans hedged with embedded fixes | 474.5 | - | 4.08% | 5.97% | 4.78% | 0.25% | 0.75% |
| Index linked loans | 1.5 | - | 4.50% | 5.50% | 5.38% | 0.00% | 0.00% |
| Bond & private placements | 902.0 | (1.4) | 1.96% | 11.3% | 4.29% | 0.00% | 0.00% |
| Unmatched standalone swap | 15.5 | - | 4.46% | 4.46% | 4.46% | 0.00% | 0.00% |
| Total | **1,714.1** | **(1.4)** | | | | | |

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments and carry fixed and variable rates of interest ranging from 0.52% (LIBOR + margin) to 11.33%. The final instalments fall to be repaid in the period 2021 to 2045 as tabulated below:

| | INTEREST RATE MATURITY LADDER[1] | LOAN REPAYMENTS | |
|---|---|---|---|
| | £M | BULLET £M | INSTALMENT £M |
| Within 1 year | 157.9 | - | 25.9 |
| 2 to 5 years | 174.1 | 150.0 | 141.2 |
| 6 to 10 years | 537.3 | 543.6 | 228.2 |
| 11 to 15 years | 222.9 | 105.0 | 216.8 |
| 16 to 20 years | 415.7 | 106.1 | 139.1 |
| 21 to 25 years | 204.8 | - | 55.9 |
| More than 25 years | - | - | 0.9 |
| Total | **1,712.7** | **904.7** | **808.0** |

*[1]The interest rate maturity ladder indicates the timeline of when periods of fixed interest rates within the Group's loan portfolio end which is not necessarily the same timeline as the underlying borrowing.*

At 31 March 2020 the Group had undrawn loan facilities of £443.3 million (2019: £405.1 million) which carry margins between 0.3% and 1.4%.

As at 31 March 2020, debtors include £1.1 million cash (2019: £1.1 million) charged to lenders.

## LOAN SECURITY

Borrowings consist of secured loan and club bond facilities totalling £944.1 million and unsecured fixed and floating rate notes totalling £768.6 million (net of discount).

Loan facilities are secured by fixed charges over properties. Properties are charged to lenders on the basis of either Market Value – Tenanted (MV-T) or Existing Use Value – Social Housing (EUV-SH), with asset cover ratios ranging between 105% to 150%. As at 31 March 2020, the overall charged value of properties was £2.7 billion, with an equivalent EUV-SH value of £1.8 billion.

As at 31 March 2020, unencumbered assets consist of:

| | VALUATION BASIS | £M | UNSECURED ASSET COVER |
|---|---|---|---|
| **Development work in progress** | Cost | 709.7 | |
| Fixed asset investments | Fair Value | 511.7 | |
| Social housing properties | EUV-SH | 892.4 | |
| | | **2,113.8** | **275%** |

All completed properties are revalued annually by Jones Lang LaSalle LLP using the appropriate accounting valuation method; EUV-SH for social housing stock and fair value for fixed asset investments. As at 31 March 2020, the accounting value of all completed stock was £3.2 billion, compared with an open market value of £8.4 billion.

## 28. FINANCIAL INSTRUMENTS

| | GROUP 2020 £M | 2019 £M |
|---|---|---|
| **Financial assets** | | |
| Financial assets that are debt instruments measured at fair value: | | |
| Fixed asset investments | 17.0 | 16.5 |
| **Total financial assets** | **17.0** | **16.5** |
| **Financial liabilities** | | |
| Derivative financial instruments designated as standalone interest rate swaps without options measured at fair value | 86.0 | 73.0 |
| **Total financial liabilities** | **86.0** | **73.0** |

The measurement of the financial instruments held at fair value, in accordance with FRS102 paragraph 34.22, are categorised as Level Two: Inputs that are observable for the asset or liability, either directly or indirectly.

The Board has considered the sensitivity for the interest rate risk it is exposed to and have determined that there is no material impact on the surplus for the year or the reserves.

The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate this risk the Group uses interest rate swaps. These are interest rate swaps without options to receive floating/pay fixed rates for a fixed period:

| ENTITY | PROFILE | NOTIONAL £M | SWAP FIXED RATE | START DATE | END DATE | PAYMENTS | LIBOR BASIS |
|---|---|---|---|---|---|---|---|
| A2Dominion South | Bullet | 35.0 | 4.570% | 30/05/2013 | 30/11/2037 | Quarterly | 3 Month |
| A2Dominion South | Bullet | 25.0 | 4.450% | 01/04/2009 | 01/07/2035 | Quarterly | 3 Month |
| A2Dominion South | Bullet | 25.0 | 4.520% | 21/05/2013 | 21/05/2038 | Quarterly | 3 Month |
| A2Dominion South | Amortising | 40.0 | 4.760% | 30/06/2011 | 05/09/2030 | Quarterly | 3 Month |
| A2Dominion South | Amortising | 11.0 | 4.250% | 30/06/2011 | 30/12/2022 | Quarterly | 3 Month |
| A2Dominion Homes | Bullet | 16.0 | 4.040% | 01/01/2009 | 22/09/2036 | Quarterly | 3 Month |
| A2Dominion Housing Options | Bullet | 15.5 | 4.460% | 01/07/2005 | 02/07/2035 | Quarterly | 3 Month |

During the year the change in fair value of the interest rate swaps was a £13 million loss (2019: £0.9 million loss). Of the total notional value, £51 million is amortising in line with the underlying debt.

The Group had extended a loan facility to one LLP which is a joint venture between A2Dominion Developments Limited and a third party. The loan matured in March 2020.

## 29. PROVISIONS FOR LIABILITIES

| GROUP | PENSION £M | MAJOR WORKS & DEFECTS £M | FIRE SAFETY PROVISION £M | LEGAL & CONTRACTUAL £M | HOLIDAY PAY £M | TOTAL £M |
|---|---|---|---|---|---|---|
| At 1 April 2019 | 2.8 | 6.6 | 13.5 | 0.7 | 0.3 | 23.9 |
| Additions | 0.2 | 0.5 | - | 0.1 | - | 0.8 |
| Utilised in the year | (0.1) | (3.5) | (1.9) | (0.2) | - | (5.7) |
| **At 31 March 2020** | **2.9** | **3.6** | **11.6** | **0.6** | **0.3** | **19.0** |

| ASSOCIATION | PENSION £M | LEGAL & CONTRACTUAL £M | HOLIDAY PAY £M | TOTAL £M |
|---|---|---|---|---|
| At 1 April 2019 | 2.8 | 0.6 | 0.3 | 3.7 |
| Additions | 0.2 | - | - | 0.2 |
| Utilised in the year | (0.1) | (0.2) | - | (0.3) |
| **At 31 March 2020** | **2.9** | **0.4** | **0.3** | **3.6** |

The pension provision relates to the provision for any future cessation events of the Oxford and Surrey LGPS schemes.

The major works & defects provision reflects the latent defect work contractually required by the company but yet to be completed. The provision relates to a number of schemes with work expected to be completed within 18 months and reflects the total cost the company expects to incur on its contractual liability.

The fire safety provision is a result of providing for works to its properties in order to fulfil its responsibilities with regards to fire safety. Following completion of a review of its tall buildings which included independent intrusive surveys it was identified that the Group needs to complete works relating to fire stopping and insulation totalling £11.6 million.

The legal and contractual provision relates to an ongoing dispute and future contractual obligations.

## 30. PENSION

The Group's employees are members of the SHPS or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows schemes. Further information on the defined benefit schemes is given below.

### Social housing pension scheme (Group and Association)

A2Dominion Housing Group Limited participates in both the SHPS defined benefit scheme (DB) a multi-employer scheme and defined contribution scheme (DC). The DC scheme was made available from 1 October 2010 and is the only scheme open to all new employees, as the Group closed its DB scheme to new entrants in 2010.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This showed assets of £4,553 million, liabilities of £6,075 million and a deficit of £1,522 million. To eliminate this funding shortfall by 30 September 2026, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme based on a full share of liabilities approach, this replaces the previous tiered approach.

In the years ending on or before the 28 February 2019 there has been insufficient information to account for the SHPS DB scheme using defined benefit accounting. Instead the DB scheme had been accounted for as a defined contribution scheme in accordance with FRS102 with the liability recognised as the present value of the employer's future deficit contributions. For financial years ending on or after the 31 March 2019 it has been possible to obtain sufficient information to account for the scheme using defined benefit accounting.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Group's fair share of the Scheme's total assets to calculate the Group's net deficit or surplus at the accounting period start and end dates. The information presented for 2018 in relation to SHPS scheme reflects the initial position recognised at 1 April 2018.

A2Dominion Housing Group Limited has operated the final salary structure with a 1/60th accrual rate and career average revalued earnings with a 1/60th accrual rate benefit structure for active members in the year to 31 March 2019.

As part of the Group's annual review of its pension strategy, following a period of consultation with affected members, the Board agreed to close the SHPS DB scheme for future accrual from 1 July 2019.

### Local Government pension schemes

The Group participates in two local Government pension schemes: Surrey County Council Pension Fund and Oxfordshire County Council Local Government Pension Fund.

### Surrey County Council Pension Fund (SCCPF) (Association)

The SCCPF is a multi-employer scheme, administered by Surrey County Council under regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed on 31 March 2020. The employer's contributions to the SCCPF by the Association for the year ended 31 March 2020 were £203,000 in deficit contributions and a contribution rate of 27% of pensionable salaries, set until the next funding valuation. This scheme has 2 members still employed by the Group and a number of past employees and is closed to new entrants.

### Oxfordshire County Council Local Government Pension Scheme (OCCLGPS) (Group)

The Group also has 6 employees who participate in OCCLGPS. The scheme is a defined benefit scheme based on final salary. The most recent formal actuarial valuation was completed on 31 March 2020. The employer's contributions to the OCCLGPS by the Group for the year ended 31 March 2020 were a contribution rate of 18.1% of pensionable salaries, set until the next funding valuation. Pension benefits depend generally upon age, length of service and salary level. The Group also provides retirees with at least five years of service and who are at least 55 with other post-retirement benefits which include life insurance. This scheme is closed to new entrants.

### Reconciliation of present value liabilities

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M | SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M |
| At the beginning of the year | (120.7) | (10.3) | (14.7) | (145.7) | - | (9.9) | (13.3) | (23.2) |
| 1 April 2018 identification | - | - | - | - | (109.7) | - | - | (109.7) |
| Current service cost | (0.3) | (0.1) | (0.1) | (0.5) | (1.1) | - | (0.2) | (1.3) |
| Expenses | - | - | - | - | (0.1) | - | - | (0.1) |
| Contributions by plan participants | (0.2) | - | - | (0.2) | (0.6) | - | - | (0.6) |
| Interest cost | (2.9) | (0.2) | (0.3) | (3.4) | (2.8) | (0.3) | (0.4) | (3.5) |
| Actuarial gains/ (losses) | 17.4 | 1.5 | 2.5 | 21.4 | (9.3) | (0.4) | (1.1) | (10.8) |
| Benefits paid | 2.6 | 0.4 | 0.3 | 3.3 | 2.9 | 0.3 | 0.3 | 3.5 |
| At the end of the year | (104.1) | (8.7) | (12.3) | (125.1) | (120.7) | (10.3) | (14.7) | (145.7) |

# 30. PENSION (CONTINUED)

## Reconciliation of fair value of plan assets

| | 2020 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M | 2019 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M |
|---|---|---|---|---|---|---|---|---|
| At the beginning of the year | 93.0 | 8.9 | 10.3 | 112.2 | - | 8.3 | 9.8 | 18.1 |
| 1 April 2018 identification | - | - | - | - | 83.6 | - | - | 83.6 |
| Interest income on plan assets | 2.3 | 0.2 | 0.2 | 2.7 | 2.1 | 0.2 | 0.3 | 2.6 |
| Actuarial (losses) / gains | (4.4) | (1.5) | (0.6) | (6.5) | 6.5 | 0.4 | 0.4 | 7.3 |
| Contributions by Group | 3.1 | 0.2 | 0.1 | 3.4 | 3.0 | 0.3 | 0.1 | 3.4 |
| Benefits paid | (2.5) | (0.4) | (0.4) | (3.3) | (2.8) | (0.3) | (0.3) | (3.4) |
| Contributions by plan participants | 0.2 | - | - | 0.2 | 0.6 | - | - | 0.6 |
| **At the end of the year** | **91.7** | **7.4** | **9.6** | **108.7** | **93.0** | **8.9** | **10.3** | **112.2** |

| | 2020 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M | 2019 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M |
|---|---|---|---|---|---|---|---|---|
| Fair value of plan assets | 91.7 | 7.4 | 9.6 | 108.7 | 93.0 | 8.9 | 10.3 | 112.2 |
| Present value of plan liabilities | (104.1) | (8.7) | (12.3) | (125.1) | (120.7) | (10.3) | (14.7) | (145.7) |
| **Net pension scheme liability** | **(12.4)** | **(1.3)** | **(2.7)** | **(16.4)** | **(27.7)** | **(1.4)** | **(4.4)** | **(33.5)** |

Amounts recognised in income and expenditure are as follows:

| | 2020 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M | 2019 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M |
|---|---|---|---|---|---|---|---|---|
| **Included in administrative expenses:** | | | | | | | | |
| Current service cost | (0.3) | (0.1) | (0.1) | (0.5) | (1.1) | - | (0.2) | (1.3) |
| Expenses | - | - | - | - | (0.1) | - | - | (0.1) |
| | (0.3) | (0.1) | (0.1) | (0.5) | (1.2) | - | (0.2) | (1.4) |
| Amounts included in other finance costs | (0.7) | - | (0.1) | (0.8) | (0.7) | - | (0.1) | (0.8) |
| **Net interest cost** | (0.7) | - | (0.1) | (0.8) | (0.7) | - | (0.1) | (0.8) |

## Analysis of actuarial gain / (loss) recognised in other comprehensive income

| | 2020 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M | 2019 SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M |
|---|---|---|---|---|---|---|---|---|
| Actual return less interest income included in net interest income | (4.4) | (1.5) | (0.6) | (6.5) | 6.5 | 0.4 | 0.4 | 7.3 |
| Experience gains and losses arising on the scheme liabilities | 10.8 | 1.1 | 1.3 | 13.2 | (5.0) | - | - | (5.0) |
| Changes in assumptions underlying the present value of the scheme liabilities | 6.6 | 0.4 | 1.2 | 8.2 | (4.3) | (0.4) | (1.1) | (5.8) |
| | **13.0** | **-** | **1.9** | **14.9** | **(2.8)** | **-** | **(0.7)** | **(3.5)** |

## 30. PENSION (CONTINUED)

### Composition of plan assets

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M | SHPS DB £M | SCCPF £M | OCCLGPS £M | TOTAL £M |
| Equities | 13.5 | 5.5 | 6.5 | 25.5 | 15.7 | 6.1 | 6.0 | 27.8 |
| Bonds and gilts | 5.2 | 1.3 | 2.1 | 8.6 | 4.3 | 1.9 | 2.1 | 8.3 |
| Property | 2.0 | 0.5 | 0.7 | 3.2 | 2.1 | 0.6 | 0.7 | 3.4 |
| Cash | - | 0.1 | 0.3 | 0.4 | - | 0.3 | 0.4 | 0.7 |
| LLPs | - | - | - | - | - | - | 0.7 | 0.7 |
| Diversified Growth Fund | - | - | - | - | - | - | 0.4 | 0.4 |
| Other | 71.0 | - | - | 71.0 | 70.9 | - | - | 70.9 |
| **Total plan assets** | **91.7** | **7.4** | **9.6** | **108.7** | **93.0** | **8.9** | **10.3** | **112.2** |

### Principal actuarial assumptions used at the balance sheet date

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | SHPS DB % | SCCPF % | OCCLGPS % | SHPS DB % | SCCPF % | OCCLGPS % |
| Discount rates | 2.4 | 2.3 | 2.4 | 2.4 | 2.4 | 2.4 |
| Future salary increases | 2.6 | 2.9 | 3.8 | 2.3 | 2.8 | 3.8 |
| Future pension increases | 2.6 | 2.0 | 2.5 | 2.3 | 2.5 | 2.5 |
| Inflation assumption | 1.6 | 2.0 | 2.5 | 2.3 | 2.5 | 2.3 |
| **Mortality rates** | **Years** | **Years** | **Years** | **Years** | **Years** | **Years** |
| For a male aged 65 now | 21.5 | 22.1 | 22.2 | 21.8 | 22.5 | 23.4 |
| At 65 for a male member aged 45 now | 22.9 | 22.9 | 22.9 | 23.2 | 24.1 | 25.6 |
| For a female aged 65 now | 23.3 | 24.3 | 24.3 | 23.5 | 24.6 | 25.5 |
| At 65 for a female member aged 45 now | 24.5 | 25.7 | 25.6 | 24.7 | 26.4 | 27.8 |

## 31. DEFERRED TAX

| | GROUP | |
|---|---|---|
| | 2020 £M | 2019 £M |
| Deferred tax (assets) / liabilities | | |
| Investment property revaluations | (0.1) | 2.3 |
| | **(0.1)** | **2.3** |

The net reversal of deferred tax assets and liabilities expected in 2020 is not possible to estimate. Further reversals or increases in deferred tax balance may arise as a result of revaluations of investment property and financial instruments. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

## 32. NON-EQUITY SHARE CAPITAL

| | GROUP | |
|---|---|---|
| | 2020 £M | 2019 £M |
| Shares of £1 each issued and fully paid | | |
| At 1 April | 5 | 5 |
| Issued during the year | 1 | - |
| **At 31 March** | **6** | **5** |

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

## 33. CONTINGENT LIABILITIES

The Group receives grant from Homes England and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2020, the value of grant amortised in respect of these properties that had not been disposed of was £226.1 million (2019: £211.4 million).

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

## 34. OPERATING LEASES

The payments which the Group and Association are committed to make under operating leases are as follows:

| | GROUP 2020 £M | GROUP 2019 £M | ASSOCIATION 2020 £M | ASSOCIATION 2019 £M |
|---|---|---|---|---|
| **Land and buildings** | | | | |
| Within one year | 4.4 | 3.8 | 2.2 | 1.6 |
| Two to five years | 13.1 | 15.0 | 8.5 | 9.9 |
| Over five years | 5.1 | 7.7 | 2.6 | 4.5 |
| | **22.6** | **26.5** | **13.3** | **16.0** |
| **Vehicles and other equipment** | | | | |
| Within one year | 0.2 | 0.3 | 0.2 | 0.3 |
| Two to five years | 0.1 | - | 0.1 | - |
| | **0.3** | **0.3** | **0.3** | **0.3** |

The Group had lease receivables under non-cancellable operating leases as set out below:

| | GROUP 2020 £M | GROUP 2019 £M |
|---|---|---|
| **Amounts receivable as lessor:** | | |
| Not later than one year | 22.2 | 21.3 |
| Later than 1 year and not later than 5 years | 37.2 | 38.4 |
| Later than 5 years | 97.3 | 109.9 |
| | **156.7** | **169.6** |

Amounts receivable as a lessor include only non-cancellable leases and exclude any lease that can be cancelled within a month by either party.

## 35. CAPITAL COMMITMENTS

| | GROUP 2020 £M | GROUP 2019 £M |
|---|---|---|
| **Capital expenditure** | | |
| Expenditure contracted for but not provided in the financial statements | 315.2 | 293.1 |
| Expenditure authorised by the Board, but not contracted | 532.3 | 640.2 |
| Maintenance expenditure contracted and authorised by the Board | 37.5 | 38.1 |
| | **885.0** | **971.4** |

The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £443.3 million (2019: £405.1 million).
- Social housing grants and projected proceeds from first tranche sales of shared ownership dwellings and build for sale properties of £985.4 million (2019: £1,304 million).

## 36. ANALYSIS OF NET DEBT

| | 1 APRIL 2019 £M | CASH FLOW £M | NON- CASH CHANGES £M | 31 MARCH 2020 £M |
|---|---|---|---|---|
| Cash at bank and in hand | 159.5 | (38.0) | - | 121.5 |
| Loans due within 1 year | (37.1) | 37.1 | (27.2) | (27.2) |
| Loans due after more than 1 year | (1,571.9) | (146.2) | 27.2 | (1,690.9) |
| Derivatives due within 1 year | (0.7) | - | 0.7 | - |
| Derivatives due after more than 1 year | (72.3) | - | (13.7) | (86.0) |
| **Net debt** | **(1,522.5)** | **(147.1)** | **(13.0)** | **(1,682.6)** |

## 37. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is A2Dominion Housing Group Limited. There is no ultimate controlling party of A2Dominion Housing Group Limited.

A2Dominion Housing Group consists of the companies listed in note 18. The Group also has interests in thirteen joint ventures detailed in note 18.

A2Dominion Housing Group Limited provides management and administration services to the companies within the Group. The most significant element of this is staff costs as the subsidiaries within the Group do not have their own employees apart from A2Dominion Homes Limited which has a small number of employees. The management costs are apportioned on a salary basis. During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £51 million (2019: £42.2 million). At 31 March 2020 A2Dominion Housing Group owed £83.2 million to its subsidiaries (2019: £102.8 million). This was in relation to working capital balances and management services.

Pyramid Plus London LLP and Pyramid Plus South LLP are apportioned management and administration services costs based on agreed values representing actual services provided.

The Group owns a 70% share in Pyramid Plus London LLP. The remaining 30% share is owned by Breyer Group PLC. The minority share of £0.4 million (2019: £0.5 million) relates to Breyer Group PLC's 30% share of the LLP's profit.

The Group owns a 70% share in Pyramid Plus South LLP. The remaining 30% share is owned by MPS Housing Limited. The minority share of £0.8 million (2019: £0.9 million) relates to MPS Housing Limited's 30% share of the LLP's profit.

The total management and administration costs apportioned in the year were:

| | 2020 £M | 2019 £M |
|---|---|---|
| A2Dominion South Limited | 15.7 | 12.7 |
| A2Dominion Homes Limited | 22.2 | 15.5 |
| A2Dominion Housing Options Limited | 4.1 | 3.1 |
| A2Dominion Residential Limited | 0.6 | 0.5 |
| A2Dominion Developments Limited | 7.2 | 9.1 |
| Pyramid Plus London LLP | 0.6 | 0.6 |
| Pyramid Plus South LLP | 0.6 | 0.7 |
| | **51.0** | **42.2** |

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2020 are summarised as follows:

| 2020 | SERVICES PROVIDED £M | QUALIFYING CHARITABLE DONATIONS £M | LOAN INTEREST PAYABLE £M | LOAN INTEREST RECEIVABLE £M | LOANS CREDITORS £M | LOANS DEBTORS £M | OTHER CREDITORS £M | OTHER DEBTORS £M |
|---|---|---|---|---|---|---|---|---|
| **A2Dominion Developments Limited** | | | | | | | | |
| A2Dominion Homes Limited | 14.3 | - | (10.4) | - | (176.6) | - | - | 16.4 |
| A2Dominion South Limited | 14.5 | - | (10.4) | - | (176.6) | - | - | 13.0 |
| A2Dominion Housing Group Limited | - | - | - | - | - | - | (55.9) | |
| **A2Dominion Treasury Limited** | | | | | | | | |
| A2Dominion Homes Limited | - | - | - | 0.6 | - | 27.3 | - | - |
| A2Dominion South Limited | - | - | - | - | - | 0.9 | - | - |
| A2Dominion Housing Group Limited | - | - | - | - | - | - | (7.5) | - |
| **A2Dominion Housing Finance Limited** | | | | | | | | |
| A2Dominion South Limited | - | - | - | 0.3 | - | 25.0 | (15.0) | - |
| A2Dominion Housing Group Limited | - | - | - | - | - | - | - | 15.0 |
| **A2Dominion Residential Limited** | | | | | | | | |
| A2Dominion Homes Limited | - | (3.2) | - | - | - | - | (0.7) | - |
| A2Dominion South Limited | - | - | - | - | - | - | (0.2) | - |
| **Pyramid Plus London LLP** | | | | | | | | |
| A2Dominion Housing Group Limited | 12.6 | - | - | - | - | - | - | 0.7 |
| **Pyramid Plus South LLP** | | | | | | | | |
| A2Dominion Housing Group Limited | 15.1 | - | - | - | - | - | - | 0.9 |

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

A2Dominion Homes Limited and A2Dominion South Limited lend to A2Dominion Developments Limited at a fixed rate of 6% on a three year revolving facility. The loans are secured with floating charges.

A2Dominion Housing Finance Limited lends to A2Dominion South Limited at Libor + 0.4% – the facility is revolving until 2022 thereafter the drawn loan balance converts to term and is payable by instalments until 2033.

A2Dominion Treasury Limited lends to A2Dominion Homes Limited and A2Dominion South Limited at an all-in rate of 4.5875%. These are the proceeds of retail bond 2 which matures in 2026 and must be repaid in full on that date. Any company may repay any part of their loan prior to that date, in such a case another company in the group must borrow the funds to ensure that £150 million remains due to A2Dominion Treasury Limited at all times. The loans are not secured.

**Transactions between Group entities and other related parties are summarised as follows:**

A2Dominion Developments Limited is a 50% joint venture partner of Green Man Lane LLP. For Phase 3, the LLP is funded by way of a loan facility of £30 million signed on the 31 August 2018 with A2Dominion Developments Limited and Rydon Construction Limited. At 31 March 2020 the LLP has utilised £13.2 million (A2Dominion Developments Limited: £6.6 million and Rydon Construction Limited: £6.6 million) of this facility. Interest is charged at 6.16% per annum. The capital and interest payment are due to be repaid when the loan matures.

Green Man Lane LLP entered into a lease variation agreement in September 2019 with A2Dominion Homes Limited for the lease of blocks at a premium of £10.1 million. The contractual term of the lease is 250 years and the premium for each lease is to be paid in 32 monthly instalments until paid in full. As at 31 March 2020, £4 million has been paid.

Green Man Lane LLP and A2Dominion Homes entered into a joint arrangement on 29 August 2018 with Rydon Constructions Limited to provide construction services, with the LLP's share of contract being to the value of £20.5 million. As at 31 March 2020, £6.8 million has been paid to Rydon Construction Limited with a balance of £9.6 million due across the next two financial years.

Green Man Lane LLP leases a ground floor office at Sinclair House London W13 from A2Dominion Homes at a rent of £50,814 per annum. The Contract ends on 24 June 2020.

A2Dominion Developments Limited is a 50% joint venture partner of Crest A2D (Walton Court) LLP. During the year, capital contributions of £7.1 million (2019: £1.3 million) were made to Crest A2D (Walton Court) LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Keybridge House 2 LLP. During the year capital contributions of £3.7 million (2019: £1.3 million) were made to Keybridge House 2 LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Elmsbrook (Crest A2D) LLP. During the year no capital contribution (2019: £3.6 million) was made to Elmsbrook (Crest A2D) LLP. During the year, capital repayments of £0.5 million (2019: Nil) were made by Elmsbrook (Crest A2D) LLP.

A2Dominion Developments Limited is a 50% joint venture partner of A2D NK Homes LLP with 80% interest. During the year a capital contribution of £1.4 million (2019: £0.8 million) was made to A2D NKH (Rowlands Castle) Limited, a wholly owned subsidiary of A2D NK Homes LLP.

A2Dominion Developments Limited is a 50% joint venture partner of A2D NK Homes LLP with 80% interest. During the year the capital contributions of £1 million (2019: £8.6 million) were made to A2D NKH (Mytchett) Limited, a wholly owned subsidiary of A2D NK Homes LLP.

A2Dominion Developments Limited is a 50% joint venture partner of A2D NK Homes LLP with 80% interest. During the year a capital contribution of £0.6 million (2019: Nil) was made to A2D NKH (Pitsone) Limited, a wholly owned subsidiary of A2D NK Homes LLP. This is no longer going ahead and the investment of £0.6 million will be transferred to another site managed by A2D NK Homes LLP.

A2Dominion Developments Limited is a 50% joint venture partner of New Cross Gate Phase 1 LLP. During the year capital contributions of £0.1 million (2019: £0.5 million) were made to New Cross Gate Phase 1 LLP. This joint venture is no longer going ahead. Costs of £4.1 million have been written off during the year leaving a balance of £1.9 million. £1 million of this balance was received in April 2020.

A2Dominion Treasury Limited has been provided with a loan facility of £150 million (2019: £150 million) by A2D Funding PLC. As at 31 March 2020, £150 million (2019: £150 million) was owed by A2Dominion Treasury Limited. A2Dominion Treasury Limited on-lends these monies to A2Dominion Residential Limited. At 31 March 2020, A2Dominion Residential Limited owed A2Dominion Treasury Limited £150 million (2019: £150 million).

A2Dominion Treasury Limited has been provided with a loan facility of £150 million (2019: £150 million) by A2D Funding II PLC. As at 31 March 2020, £150 million (2019: £150 million) was owed by A2Dominion Treasury Limited. A2Dominion Treasury Limited on-lends these monies to registered providers and A2Dominion Residential Limited. At 31 March 2020, A2Dominion Residential Limited owed A2Dominion Treasury Limited £121.8 million (2019: £121.4 million).

A2Dominion Housing Group guarantees both bond issues principal and interest in A2D Funding PLC and A2DFunding II PLC.

Pyramid Plus South LLP received services during the year from MPS Housing Limited with a value of £8.7 million (2019: £9.7 million). As at the 31 March 2020 £1.7 million (2019: £1.6 million) was owed by Pyramid Plus South LLP.

Pyramid Plus London LLP received services during the year from Breyer Group PLC with a value of £8.1 million (2019: £7.2 million). As at the 31 March 2020 £1.0 million (2019: £1.3 million) was owed by Pyramid Plus London LLP.

A2Dominion Residential Limited has entered into a funding agreement with Keybridge House LLP a joint venture between A2Dominion Developments Limited and Mount Anvil (Keybridge House) Limited. As at the 31 March 2020 nil (2019: £15.1 million) was owed to A2Dominion Residential Limited. The loan matured during the year ended 31 March 2020. The interest and similar income receivable on this loan during the year was £1.8 million (2019: £7.5 million).

*White Hart Court, Guildford*

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2019 are summarised as follows:

| 2019 | SERVICES PROVIDED £M | QUALIFYING CHARITABLE DONATIONS £M | LOAN INTEREST PAYABLE £M | LOAN INTEREST RECEIVABLE £M | LOANS CREDITORS £M | LOANS DEBTORS £M | OTHER CREDITORS £M | OTHER DEBTORS £M |
|---|---|---|---|---|---|---|---|---|
| **A2Dominion Developments Limited** | | | | | | | | |
| A2Dominion Homes Limited | 3.5 | (19.7) | (8.6) | - | (158.6) | - | - | 2.7 |
| A2Dominion South Limited | 20.9 | (13.1) | (8.7) | - | (158.5) | - | - | - |
| **A2Dominion Treasury Limited** | | | | | | | | |
| A2Dominion Homes Limited | - | - | - | 0.7 | - | 28.6 | - | - |
| A2Dominion South Limited | - | - | - | 0.8 | - | - | - | - |
| A2Dominion Housing Group Limited | - | - | - | - | - | - | (1.8) | - |
| **A2Dominion Housing Finance Limited** | | | | | | | | |
| A2Dominion South Limited | - | - | - | 0.3 | - | 25.0 | - | - |
| **A2Dominion Residential Limited** | | | | | | | | |
| A2Dominion Homes Limited | - | - | - | - | - | - | - | - |
| **Pyramid Plus London LLP** | | | | | | | | |
| A2Dominion Housing Group Limited | 11.9 | - | - | - | - | - | - | 1.1 |
| **Pyramid Plus South LLP** | | | | | | | | |
| A2Dominion Housing Group Limited | 15.0 | - | - | - | - | - | - | 2.6 |



*Queen's Wharf, Hammersmith and Fulham*

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