



Annual Report and Consolidated Financial Statements

For the year ended 31 March 2020





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Poplar Housing and Regeneration Community Association
Trading as "Poplar HARCA"

Regulator of Social Housing number: L4170
Registered Society Number: 7726

Chair's Review Of The Year

Covid-19 has defined 2020. It has affected individuals, families and communities; and my thoughts are especially with those who have lost loved ones. We don't yet know what the longer-term effects of Covid-19 will be, but we do know Poplar HARCA will be here for its community.



The substantial impact on our operating environment has already been felt. The Board is proud of Poplar HARCA's response to the challenges of the pandemic. At the time of writing, we are still responding, and taking decisions to protect residents, staff and the business.

In mid-March, following government directives to limit the spread of the virus and to enforce social distancing, we closed offices, community centres and cafes. We quickly adapted so we could continue to provide vital services to residents. This included staying in contact with our most vulnerable and older residents; working closely with Tower Hamlets Council and local charities; and carrying out essential repairs to ensure our homes remained safe.

We also continue to closely follow the emerging guidance as a result of the Grenfell Tragedy. Ensuring our homes, blocks and estates are safe has always been a priority for me and fellow Board members; and we will ensure that Poplar HARCA continues to maintain the highest health and safety standards. We make no apology for this year's increase in social housing lettings expenditure.

The Board's approach to value for money and asset management continues to evolve. It is now a sophisticated strategy that is strengthening financial capacity. In December 2019, the Moody's credit rating of Poplar HARCA was increased from Baa2 positive outlook to Baa1 stable. We continue to confidently bring forward regeneration opportunities and our current business plan includes 1,158 new affordable homes over the next 12 years. None of what Poplar HARCA achieves can be done without this prudent approach to managing assets and finances.

Despite the challenges of Covid-19, we remain ambitious to achieve the regeneration that our community has told us is a priority. Aberfeldy phase 3B is progressing well. It includes a new medical centre, café, pharmacy and community centre. This phase will bring forward a lively new village centre benefiting the whole area.

A number of large regeneration schemes adjacent to Aberfeldy are now coming forward, including the St William development on the old Poplar gasworks site. The scale of change is so significant that we are revisiting the masterplan for the remaining Aberfeldy phases to include the Nairn St estate. We anticipate a new planning application in summer 2021.

I am conscious that political, financial and social challenges are often felt more deeply by our community than elsewhere. The work Poplar HARCA does to create opportunities to improve life chances and experiences is, therefore, our cornerstone. From supporting residents into work and training to improving health and well-being to inspiring young people to be future leaders, our investment in our community will continue to be a priority.

None of what Poplar HARCA achieves would be possible without our residents, our wider community, our staff, our volunteers, my fellow Board Directors, and our partners including the London Borough of Tower Hamlets. I'm always particularly struck by the enormous energy and hard work that residents put in through Estate Boards and by other means. I'm very grateful to them.

We launch a new five-year corporate plan in 2021. With fellow Board Members, I will be challenging Poplar HARCA to achieve more and better because that is what our community demands from us.

As always, thank you to everyone who supports us to create opportunity in our bit of East London.

Dr Paul Brickell - Chair



Report of the Board Including Strategic Report **About Poplar HARCA**

Since 1998 Poplar HARCA, a Public Benefit Entity (PBE) has been investing in its area, community and homes to achieve our vision: discovering, developing and implementing opportunities to help our community thrive.

We are a registered provider of social housing formed by large scale voluntary stock transfer from the London Borough of Tower Hamlets.

Working with statutory and third sector partners, Poplar HARCA has leveraged significant investment into the area. As well as refurbishing existing homes, Poplar HARCA has built new homes, transformed estates and re-shaped the neighbourhood to connect it literally and figuratively to the potential of its location.

We have an international reputation for innovation and award-winning services delivered by award-winning people. Much more than this, Poplar HARCA is a catalyst and enabler – working with like-minded partners to realise the ambitions of our community.

We own and manage approximately 9,700 homes and a number of community, commercial and retail spaces within four square miles of East London.

Our Values and Behaviours

Poplar HARCA's Board, staff, partners and volunteers share a common purpose - achieving our vision to Create Opportunity.

Our Values and Behaviours are the foundation upon which our Vision will be realised:

Values

**Wholehearted
Commitment**

**Constant
Improvement**

**Enthusiastic
Support**

Behaviours

Inspirational

Collaborative

Considered

Fresh

Agile



About Our Staff Team

Poplar HARCA employs over 375 diverse, committed and engaged people. The 2020 staff survey reported 90% would recommend Poplar HARCA as an employer.

People indicators are reported quarterly to our Board and Finance and General Purposes Committee. Following the approval of a refreshed Organisational Development Strategy last year, we have spent this year focusing on our performance culture, well-being and succession.

Resident Driven - Involving and Involved

Holding Poplar HARCA to account through opportunities to inform, influence and scrutinise is the most important driver of improvement.

Poplar HARCA has a strong resident representation throughout its Board and Committee structure. The Vice Chair of the Board and Chair of the Services Committee is a resident.

Whether formally through Estate Boards, Gatherings and Youth Empowerment Board; or less formally through our Listening Campaigns and participation in projects or volunteering, we rely on our residents to ground and motivate us.

We have developed a successful accredited training programme that provides an introduction to governance, community organising and board/committee skills which is a valuable capacity-building opportunity for new and interested local people.





Awards

The work of staff and residents has been again acknowledged by more awards this year:



WOMEN IN HOUSING: **YOUNG ACHIEVER**

Won by Marium Begum for her outstanding achievements as a leasehold collections officer.



WOMEN IN HOUSING: **INCLUSION CHAMPION**

Won by Tanzeem Ahmed for her work as the Assistant Director Of Employment and Training.



HOUSING HEROES AWARDS: **HIGHLY COMMENDED FOR FRONTLINE TEAM OF THE YEAR (UNDER 10,000 HOMES)**

Our Community Safeguarding team was recognised for their approach to helping residents with hoarding disorder.



UK HOUSING AWARDS: **INNOVATIVE LANDLORD OF THE YEAR**

Awarded for our Open Poplar project which has revolutionised the way we think about and manages space.



The Board is especially proud of our Bow Garden Square development of over 100 new homes, green spaces, a Mosque and a primary school won a number of awards this year.

It won:

► HOUSEBUILDER AWARDS: **BEST REGENERATION INITIATIVE**

► SUNDAY TIMES BRITISH HOMES AWARDS: **REGENERATION SCHEME OF THE YEAR**

► SUNDAY TIMES BRITISH HOMES AWARDS: **HOMEBUILDER OF THE YEAR**

► EVENING STANDARD NEW HOMES AWARDS: **BEST REGENERATION PROJECT**

► RESI AWARDS: **DEVELOPMENT OF THE YEAR**

Creating Opportunity – Our Strategy

Tower Hamlets population is projected to reach 365,200 by 2027, and 400,000 by 2041. Half of all residents aged 60+ and 31% of children live below the poverty line. Life expectancy is lower when compared with London and England averages; and the infant mortality rate is the highest in London. There are over 20,000 households on the Council's housing list.

Poplar HARCA's Corporate Strategic Plan 2016-21 'Creating Opportunity' sets out our aspirations, and celebrates how much has already been achieved.

In the fourth year of this plan,
together we have achieved so much
that we are all very proud of, including:

251

new affordable
homes

1,213

new homes of all
tenures built in the
past four years

323

supported into
employment

3,600

plus new young
people engaged,
with over 57,400
attendances

4,856

residents taking
advantage of health
and wellbeing
initiatives

414

residents supported
to achieve accredited
qualifications

81

disused garages
being transformed
into Poplar Works,
a new fashion and
enterprise hub

343

new volunteers
provided **£1.2m**
social value

Development Agreement on the Chrisp Street regeneration scheme now unconditional triggering the land sale in summer 2020 with a start on site anticipated in 2021

The full Creating Opportunity document is available on our website
www.poplarharca.co.uk



Resourcing the Vision

The financial and operational strategy that is in place to deliver 'Creating Opportunity' is called 'Resourcing the Vision'. In response to rent reduction, the Group has implemented a number of strategic initiatives as part of Resourcing the Vision.

MIXED INCOME TENURE STRATEGY (MITS)

MITS increases income, increases diversity and helps homeless households. Empty properties are assessed against an asset evaluation matrix and offered to people in temporary accommodation as a result of the London Borough of Tower Hamlets assessing a statutory duty. A very small minority of homes are at market rent, with the vast majority capped at Local Housing Allowance to stay affordable to the client group. The majority of MITS re-lets are done by way of a short term operating lease to Poplar HARCA Projects Ltd.

As at 31 March 2020 a total of 304 homes (2019: 234) were let at Local Housing Allowance or market rent and the target for 31 March 2020 of 300 homes is achieved. The local housing allowance for a one bedroom flat in Tower Hamlets is approximately double the social rent.

RECYCLING ASSETS, CREATING OPPORTUNITY (RACO)

The objective of RACO is to sell properties that the asset evaluation matrix identifies as less suitable for re-letting and to use the sales proceeds to supply at least 1.5 new affordable homes for every home sold. For sales and investments committed to date the programme has delivered 1.6 new affordable homes for every home sold.

A total of 52 sales completed in the year to bring the total sales to 282. Other than 15 units, all the void properties advertised for sale in the year were sold to the London Borough of Tower Hamlets.

The Board has approved development schemes to be funded from RACO proceeds that will deliver 750 new affordable homes.

Summary of Financial Performance

MAINTAINING FINANCIAL RESILIENCE

The Group operating surplus for the year of £21m (2019: £60m) is a strong result after increasing expenditure on social housing lettings to £41.1m (2019: £38.8m).

The decrease in operating surplus was principally driven by decreased turnover from overage relating to the land sales £1.3m (2019: £14.3m), gain on disposal of fixed assets £15m (2019: £34m) and a reduction in investment property fair value (£2.0m), (2019: a gain of £5.2m). In 2019 overage from land sales was high due to the exceptional Leopold Development performance. In 2020 fewer disposals of void homes were completed and a cautious Directors valuation of investment properties led to the reduced fair value.

Joint venture activity resulted in a small profit of £1.6m (2019: loss of £1.1m) in the year. Both the Balfron Tower

Development LLP and Aberfeldy New Village LLP phase 3b continue in the construction phase with relatively low volume of off plan sales.

The £4.7m write down of investment in joint ventures (2019: £4.0m) relates to the Balfron Tower LLP and the costs incurred by the Group in buying back leaseholders prior to the full refurbishment starting on site. We are not anticipating the LLP, of which the Group is a 50% shareholder, to achieve a profit from the project.

Stripping out overage, joint venture activity, gain on fixed asset disposal and changes in value of investment property shows a 'core' operating surplus of £9.7m down 17.5% on 2019 (£11.8m). The lower core surplus and is principally driven by the Board's decisions on investing in our stock and services.

£000s

Turnover £k

Operating surplus £k

Operating margin %

Core operating surplus £k ¹

Core operating margin

Surplus on 1st tranche shared ownership sales £k

Debt per unit £k ²

Net assets £k

	2020	2019
Turnover £k	65,300	74,958
Operating surplus £k	21,125	60,138
Operating margin %	32%	80%
Core operating surplus £k ¹	9,718	11,779
Core operating margin	15%	19%
Surplus on 1 st tranche shared ownership sales £k	2,185	1,044
Debt per unit £k ²	42.5	42.2
Net assets £k	172,104	159,488

¹ Excludes overage, joint venture activity and write down of investment, gain on sale of fixed assets and change in value of investment property

² Debt per unit calculated as bank, bond and finance lease liabilities less cash and cash equivalents per home owned

Poplar HARCA recognises it has a lower 'core' operating margin position than the average for a comparable provider such as those rated by Moody's. Our community regeneration expenditure in 2020 of £6.7m (2019: £6.0m) was partly offset by external funding of £2.4m (2019: £1.7m) and is an important part of the delivery of our corporate vision and strategy. Achieving the vision of a thriving community is likely to result in higher asset values in Poplar and result in a long term financial benefit for the Group.

OTHER COSTS AND ACTIVITIES

Interest payments of £12.6m for the year were down on 2019 (£12.8m).

GROUP STATEMENT OF FINANCIAL POSITION

The Group statement of financial position has continued to strengthen through the £9.0m surplus after tax for the year and £3.6m reduction in net pension liabilities. Liquidity strength remains a key part of the business strategy ensuring financial resilience and ability to fund our ambitious regeneration programme.

LOOKING FORWARD

The total committed and uncommitted capital expenditure programme in the June 2020 business plan results in 1,158 new affordable homes over the next 12 years (up from 760 over 10 years in the June 2019 plan).

Including uncommitted capital expenditure, debt for the Group is relatively steady averaging approximately £310m over the 10 years to 2030 peaking at £330m in 2023/24. A total of £94m of bank debt matures by 2030 and re-financing these facilities is required to fund the total committed and uncommitted capital expenditure.

The June 2020 business plan results in interest cover (bank loan covenant definition including capitalised maintenance) of at least 135% in all years (covenant minimum 110%). This is one of several critical internal limits set to maintain financial resilience within an agreed risk appetite.

Our plans and priorities are regularly reviewed and updated to reflect the opportunities and the risks in our operating environment, including:

- ▶ The greater focus and effort applied to the safety of our residents in their homes, by ensuring that testing and safety measures for fire and other hazards are effective
- ▶ The greater focus on social distancing and hygiene protocols required to effectively tackle the current pandemic
- ▶ The greater focus on the environmental impact of our homes and steps we can take to reduce the carbon footprint of Poplar HARCA

A streamlined energy and carbon report (SECR) was commissioned for the first time for the financial year 2019/20 and the results show the carbon impact and energy use as:

- ▶ 4,409 tonnes of carbon dioxide equivalent
- ▶ 21.2 million kWh of energy





Treasury Management

CAPITAL STRUCTURE

Poplar HARCA Ltd has a corporate bond by way of Poplar HARCA Plc, an RPI linked finance lease with M&G Investments for a mixed block (private and affordable rent) and bank funding from Allied Irish Bank, Lloyds and Santander which is a mix of relatively long term fixed debt and short term Revolving Credit Facility (RCF).

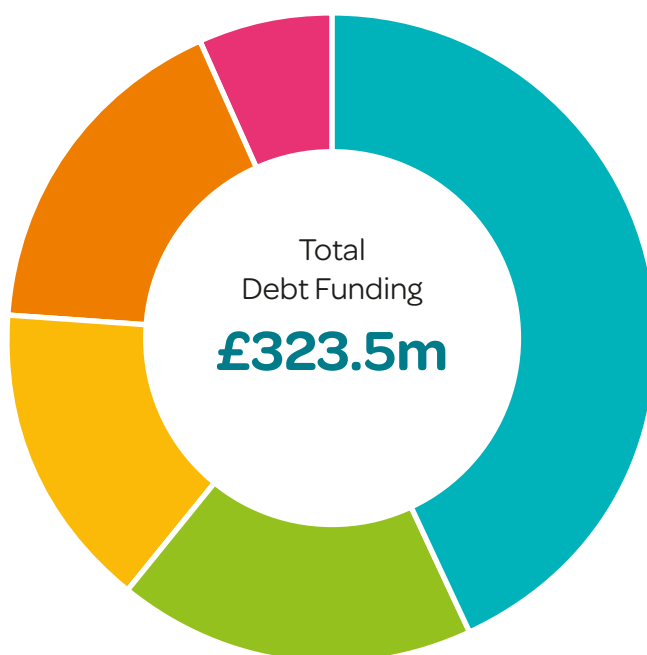
TREASURY AND LIQUIDITY RISK

The treasury management plan agreed by the Board in 2017 to address the RCF facilities that matured in July 2018 has been fully implemented. A new 7 year RCF was arranged in February 2018 and an existing RCF extended in July 2018 for a further 5 years.

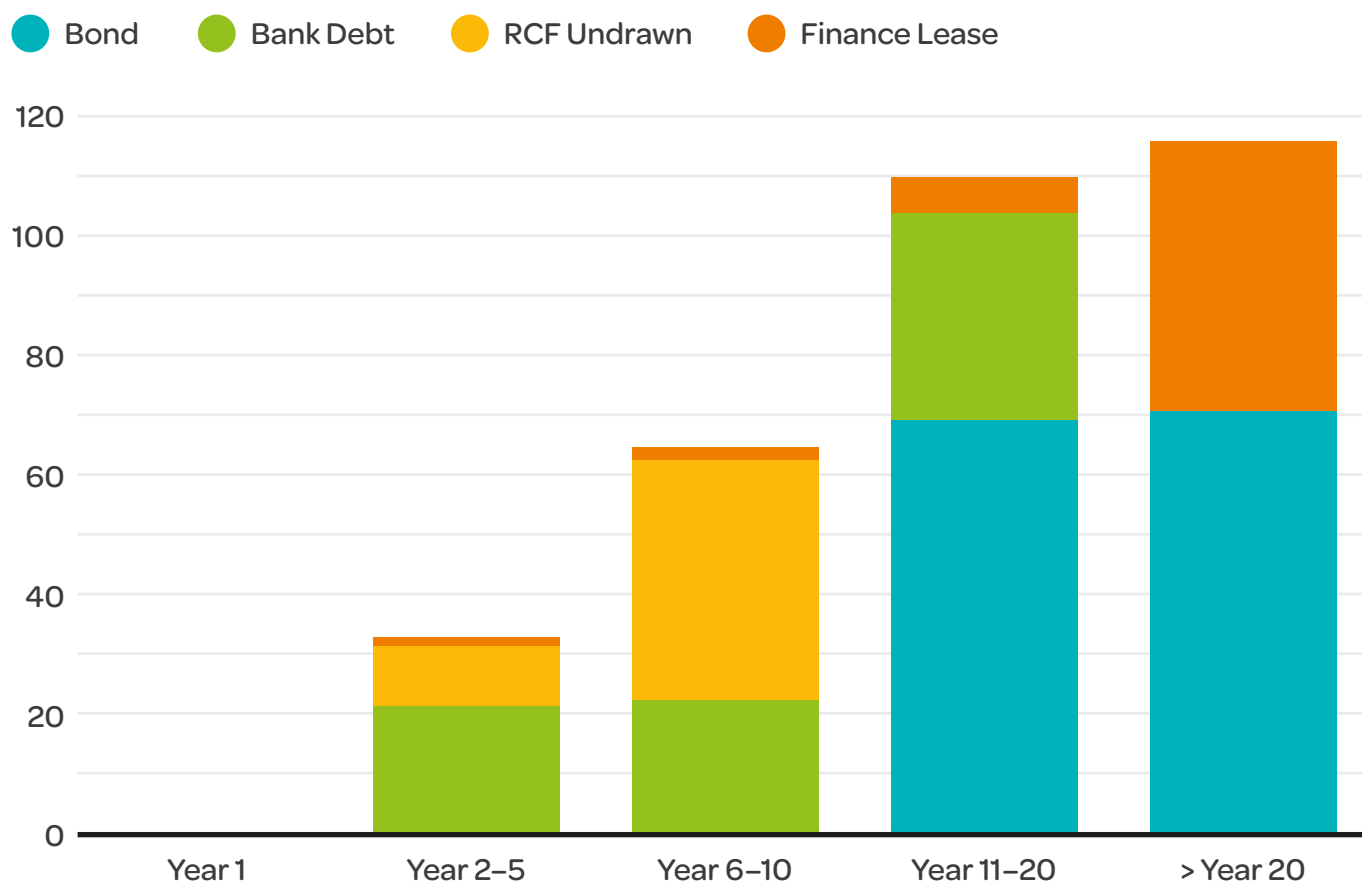
TOTAL DEBT FUNDING 31 MARCH 2020

- Bond **£140m**
- Bank Fixed **£57m**
- RCF Undrawn **£50m**
- Finance Lease **£55m**
- RCF Drawn **£21.5**

The debt funding of £323.5m is relatively long dated and is sufficient to fund the capital commitments from the development programme.

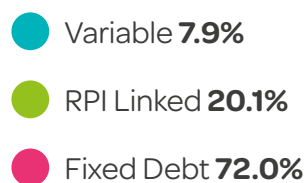


FACILITY MATURITY PROFILE 31 MARCH 2020

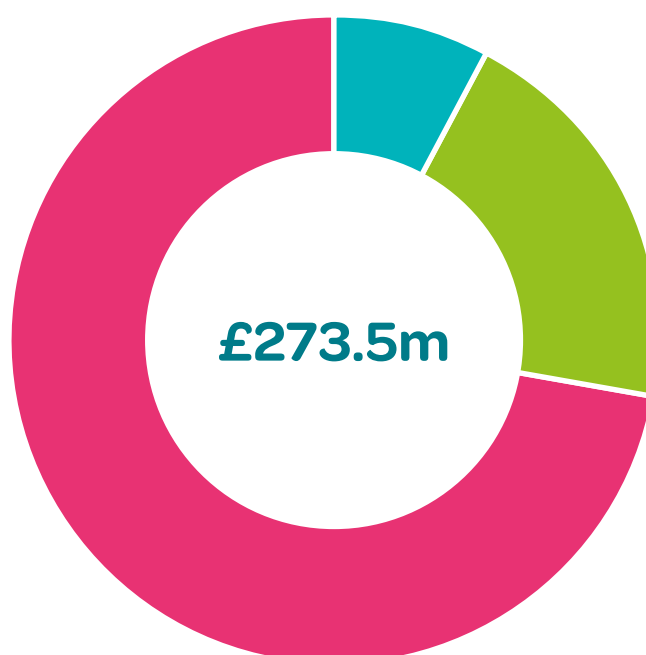


The Group continues to be risk averse in its approach to interest rate management. As at 31 March 2020, 8% of drawn debt (£21.5m) is variable and exposed to the risk of rising LIBOR. In addition 20% of debt is RPI linked finance lease funding (£55.0m). The remaining 72% of debt is at fixed rates. This is in line with the Group policy to maintain between 50% and 80% of outstanding net debt on a fixed rate basis.

HEDGING OF £273.5M DRAWN DEBT*



* Hedging in this context refers to fixed rate bank loans for which there are no hedge accounting implications



CREDIT RATING, BREXIT AND COVID-19

In December 2019, the Moody's rating of Poplar HARCA was increased from Baa2 positive outlook to Baa1 stable.

Brexit has been considered on balance, and risk map scores have not been changed, but are reviewed on a quarterly basis whilst the impact of Brexit unfolds and is better understood. Any further rating downgrade to the UK would be met with a strategic response by Poplar HARCA including a reduction in discretionary operating expenditure to improve operating margin and asset sales to reduce debt. Currently sales exposure across the Group is minimal at this time with almost all homes sold and continues to be monitored closely as Brexit unfolds.

COVID-19 has had a substantial impact on the external environment in which we operate and created additional economic uncertainty. At the time of writing, we are still responding to the current crisis and taking decisions to protect customers, staff and the business. In mid-March, following government directives to limit the spread of the virus and to enforce social distancing, we closed our offices, community centres and cafes and reduced our frontline services.

Due to Poplar HARCA's investment in our IT infrastructure, the majority of staff have been able to work from home, offering additional contact services to support our vulnerable customers whilst maintaining social distancing. To manage the risks to the business and in line with our business continuity planning we also:

- ▶ Undertook additional stress testing of our long-term financial plan, including reforecasting our base 2020/2021 budget. We also ran downside scenarios to identify the impact on liquidity. All scenarios can be comfortably financed by existing funding arrangements.

- ▶ Implemented part of the PH recovery plan and brought in additional monitoring measures (agreed at March 2020 Board as part of the budget approval)

- ▶ Enhanced our financial resilience in relation to liquidity by drawing down loan prior to lockdown and holding more immediately available cash.

- ▶ Reviewed our development pipeline with consideration of sales exposure, including the option to change tenure of units being developed and seek additional grant from the GLA.

We continue to follow government guidance. We will reintroduce services and open offices, Community Centres and cafes only when it is safe to do so and will update our safety guidance where appropriate.

LOAN COVENANTS

All loan covenants were met. Interest cover for the Association as measured by the bank covenant (excluding gift aid and gains from disposal of tangible fixed assets) was 127% (2019: 133%). The covenant requirement is 110%. The result of 127% marginally missed the 135% internal target in the financial control framework. The Board monitored the forecast throughout the year and approved additional expenditure of £0.5m on void properties to complete full refurbishment to the required standards and to ensure we continue to meet our targets on the number of homes let at local housing allowance.

Our tenanted homes were valued at £508 million on a security basis resulting in a gearing of 54% (2019: 56%). The covenant requirement is 80%.

Debt per unit, calculated as the total of bond, bank and lease liabilities less cash or cash equivalents per unit owned, was £43,770 (2019: £42,174). The covenant requirement is £57,000 as at 2020 increasing annually by CPI.



Operational Performance and Satisfaction Levels

HOUSING MANAGEMENT

We continue to prioritise sustaining tenancies, with a service model increasingly focused on early intervention and safeguarding; with a 25% reduction in evictions and 71% reduction in Court actions.

Our Safeguarding Team was shortlisted for Care and Support Team of the Year, and highly commended as Frontline Team of the Year at the Housing Heroes Awards. This has included supporting 1,200 residents over 70 to ensure wellbeing through the Covid-19 pandemic.

Advice and support to tenants has continued to mitigate the effects of Welfare Reform: 56% of whom are in arrears (decreased from 66% and compared with just 22% of those in receipt of Housing Benefit).

We contract a private security firm to maintain a visible community safety presence on our estates, and work with the third sector to support rough sleepers into accommodation.

This year saw our first six Housing First clients successfully housed direct from sleeping rough. All six presented with complex histories including mental ill-health and substance misuse. After a year, all six are successfully maintaining their tenancies.

155 Poplar HARCA tenants moved in the year, 106 of these were living in overcrowded conditions. We housed 227 households, 148 of these were living on overcrowded conditions. We housed 102 statutory homeless households, 32 through the Common Housing Register and 70 in LHA-capped tenures.

A third of all residents are signed-up users to our on-line self-service portal, MyHARCA.

TECHNICAL AND ESTATE SERVICES

Resident satisfaction with repairs remains top quartile, with transactional surveys reporting 95.5% satisfaction. In the financial year we completed over 23,000 repairs, replaced 358 boilers and carried out 2849 electrical tests. It takes on average 6 days from the initial report to complete a repair, with 99% completed in target.

Our estate services and horticultural management is recognised as being of an exceptional standard. Our waste management system, utilising underground refuse containers, is still at the forefront of public waste disposal techniques. Estate Services Operatives conduct daily visual assessments in-line with our Estate Management Procedure with a documented fire safety check each month. In addition, our Estate Services team removed over 800 tonnes of dumped bulk rubbish last year, significantly reducing the risk of arson.

DEVELOPMENT AND REGENERATION

Aberfeldy phase 3B is progressing well. It includes a new medical centre, café, pharmacy and community centre. This phase will bring forward a lively new village centre benefiting the whole area. A number of large regeneration schemes adjacent to Aberfeldy are now coming forward, including the St William development on the old Poplar gasworks site. The scale of change is so significant that we are revisiting the masterplan for the remaining Aberfeldy phases to include the Nairn St estate. We anticipate a new planning application in summer 2021.

Progress on Balfron Tower has been slower than hoped, mainly due to the unpredictable nature of a listed building refurbishment. We have therefore delayed the sales launch until we are confident of the completion date. The history and profile of the building means that media and purchaser interest remains high.

With development partner Muse, a new planning application is being drawn up for regeneration of Stroudley Walk. The proposed scheme will deliver 281 new homes, of which 50% will be affordable (measured by habitable rooms). We are anticipating planning consent and start on-site in 2021. Close by, Jolles House, which will deliver 70 new affordable homes, is due to complete in March 2021. Works are also underway to bring forward 18 new affordable homes through smaller infill schemes.

The Chrisp Street contract has gone unconditional with development partner Telford Homes. The site has now passed to their control following completion of the s203 process by Tower Hamlets. Poplar HARCA will be taking all the affordable homes in the new scheme, and will maintain an active interest in preserving the history and unique character of this popular local market. Shared Ownership sales have continued to progress well, managed by our in-house sales team. This is despite the challenges of the Covid-19 lockdown. At Aberfeldy Phase 3A, 6 of the 9 homes have completed and the remaining 3 are under offer. At Carmen Street 18 of the 25 homes have completed, 2 are under offer and 3 remain available. Marketing has very recently commenced on Landmark Pinnacle, already securing 8 reservations of the 35 available homes. This is despite project completion not expected until October 2020.

COMMUNITIES AND NEIGHBOURHOODS (CaN)

Our Communities and Neighbourhoods (CaN) programme is a key priority for us. In the year our total spend on Community Regeneration of £6.7m (2019: £6.0m) was partially offset by external funding of £2.4m (2019: £1.7m) resulting in a net investment by Poplar HARCA of £4.3m for the year (2019: £4.3m).

SPOTLIGHT

Spotlight has successfully expanded service delivery to six wards: Lansbury, Mile End, Lansbury and Bromley North, Bromley South & Bow East.

It continues to deliver an exciting programme themed as Get Creative, Get Active and Get Inspired. The number of young people attending is 3,600, with over 57,400 attendances at 3,850 sessions.

Implementation has been led by partners, with Spotlight enabling delivery by the likes of IMD Legion, Leaders in Community, Urban Interface Dance UK, Ruff Squad Arts Foundation, Limehouse Boxing Academy, XLP, Bow Arts, Boy Blue Dance, S+K Project, and High Rise Theatre. The Service has also attracted high profile partners such as the V&A, Dulwich Picture Gallery, the Barbican, CREATE London, the London College of Fashion, UAL, Celtic FC Foundation and Fight 4 Change.

Our specialist support services have been bolstered through partnerships with the NSPCC, Docklands Outreach and Lifeline Renewal.

EMPLOYMENT & TRAINING

Our Employment and Training team has engaged with 1,000 people throughout the year, providing one-to-one support, organising jobs fairs and running accredited training. As a result, 323 people found employment, and 414 have achieved qualifications.

CHARITABLE GRANTS AND OTHER COMMUNITY REGENERATION INCOME

Poplar HARCA has received grants and other income from a number of sources to support its community regeneration activity. Poplar HARCA would like to thank the organisations that have made contributions in cash

and in kind to the Communities and Neighbourhood Directorate. Grant funding was received from the organisations listed below during the period from 1 April 2019 to 31 March 2020:

Organisation	2020 £	2019 £
Action For Bow	5,000	7,743
Big Lottery Fund (Reaching Communities)	72,974	142,280
Building a stronger Britain Together (BSBT)	45,970	-
Canal & River Trust	-	5,000
Capital City College	-	5,000
Clarion Futures	-	10,000
East End Community Foundation	7,000	16,000
Education and Skills Funding Agency	138,385	523,914
European Social Fund	272,079	140,313
London Borough of Tower Hamlets	540,000	504,968
London Marathon Fund	-	14,000
London Youth	-	1,500
Morgan Stanley	-	3,600
Power Up	36,833	-
The Greater London Authority	507,163	86,201
The London Community Foundation	-	33,580
The National Health Service (NHS)	12,000	13,450
UNITAS	6,000	-
Wilmott Dixon Community Fund	-	1,620
Migrant Fund	10,000	-
Elysium	10,000	-
	1,663,404	1,509,168



Our Value For Money Strategy

Our five year corporate strategy from 2016, Creating Opportunity, sets out how we deliver our vision of discovering, developing and implementing opportunities to help our community thrive.

Achieving excellent value for money in all that we do is vital to achieving this vision: we aim to make the best possible use of resources to improve housing, neighbourhoods and opportunities for our residents, with high quality outcomes and demonstrable social returns.

Our VFM Strategy sets how we target and monitor VFM at every level of the organisation. The Board sets and monitors our VFM action plan annually which includes 'Resourcing the Vision' targets. The Finance and General Purposes Committee monitors this on a quarterly basis. The top level targets are set as a Financial Control Framework to enable us to 'Resource the Vision' and to deliver the ambitious Corporate Strategic Plan. The targets are in place to manage risk and ensure financial viability. They are:

- ▶ Achieve interest cover of 135% as we control risk and maintain 'financial resilience'
- ▶ Manage external debt within set parameters
- ▶ Manage on-lending to subsidiaries within set parameters
- ▶ Control exposure to market sales
- ▶ Manage liquidity

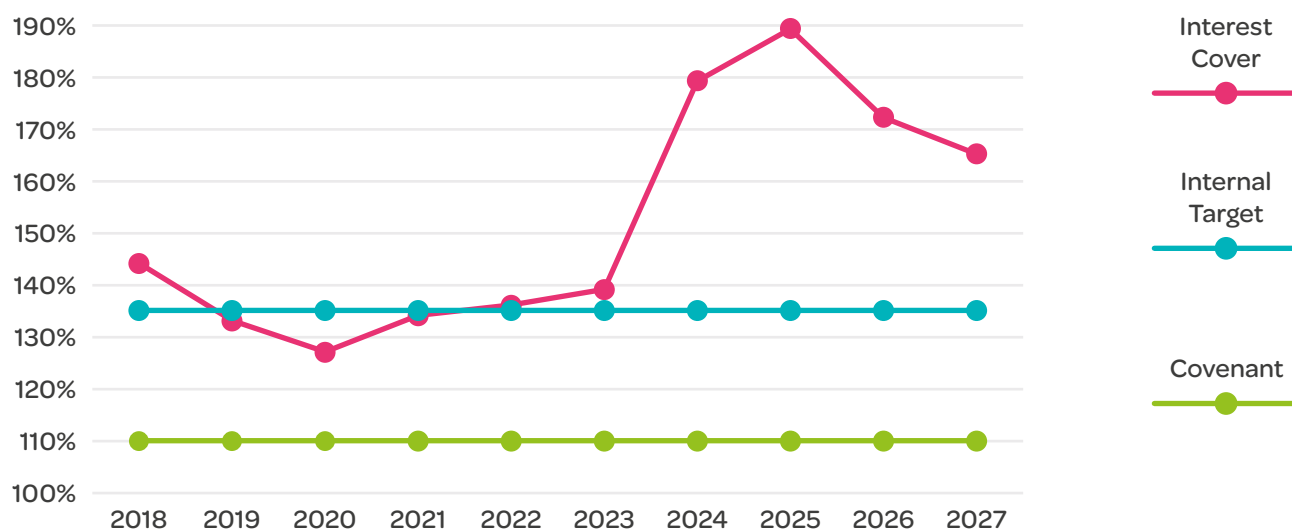
The Resourcing the Vision Strategy incorporated into the business plan includes the following targets

- ▶ 1% cost saving efficiency on service costs per year
- ▶ Letting a further 121 homes at local housing allowance to homeless households or at market rent, bringing the total programme that started in 2016/17 to 425
- ▶ Selling a further 243 homes based on asset management criteria where disposal adds significant value relative to cost and planned maintenance obligations, bringing the total programme that started in 2016/17 to 525
- ▶ Using disposal proceeds to buy new affordable housing through S106 opportunities at a ratio of 1.5 new for every property sold

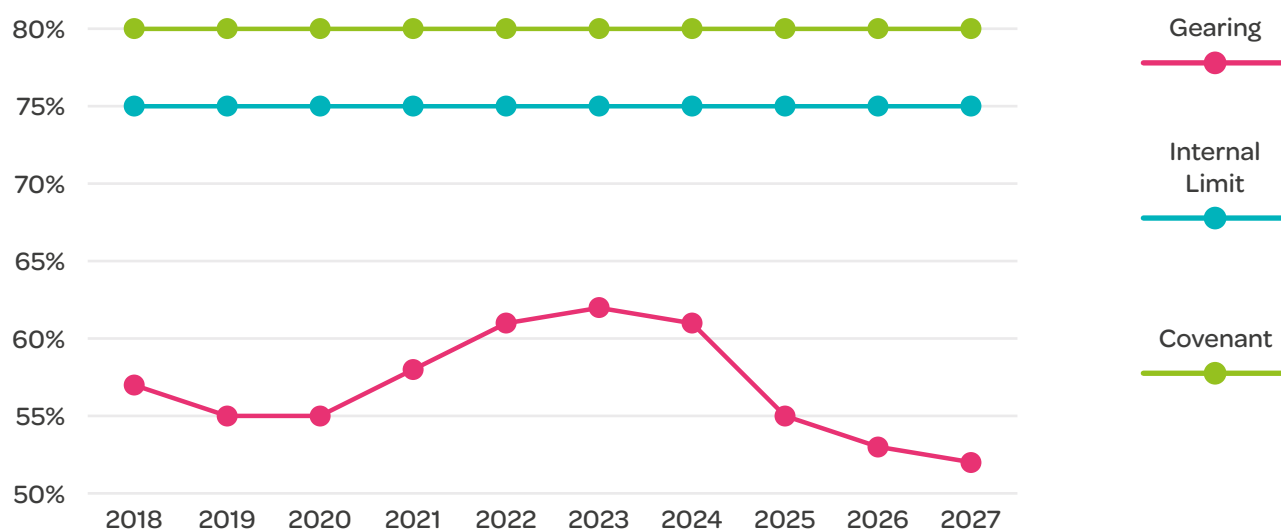
The result of our value for money strategy is financial resilience measured through covenant headroom and strong liquidity. And critically continuing our growing ambitious development and regeneration programme within risk tolerance whilst maintaining excellent services to our residents and community. This is all achieved despite the 4% reduction in regulated social housing rents between 2016/17 and 2019/20 and the uncertain outlook following the Covid-19 pandemic.

INTEREST COVER BANK COVENANT

ACTUAL TO 2020 AND FORECAST 2021 TO 2025

**GEARING BANK COVENANT**

ACTUAL TO 2020 AND FORECAST 2021 TO 2025



Interest cover dipped below the internal target in 2018/19 (133%) and 2019/20 (127%) due to increased investment relating to maintenance of our properties and fire safety. The Board carefully monitored the financial forecast throughout these years and made risk balanced decisions to dip into the financial headroom in order to increase controls relating to health and safety.

Interest cover is forecast to be on target in 2020/21 at 135% then rising sharply from 2023/24 driven partly by surplus on first tranche shared ownership sales and partly by an improved core operating margin. During this time gearing is expected to fall.

The Board continues to model downside risk on shared ownership sales with cautious base case assumptions on sales prices and timings and stress testing that base case. Despite the increased sales risk, the business plan has increased financial capacity from 2023/24 and subject to this additional headroom materialising, will enable the Board to consider the full financial commitment to the long term Teviot regeneration scheme whilst maintaining the existing level of services and delivering on all existing development plans including the expanded Aberfeldy regeneration including Nairn Street.

Our current approach to maximising the return on assets is characterised by extensive stock option appraisals based on detailed density calculations and net present value analysis. The progress of the Aberfeldy New Village LLP and completion of St Pauls Way are examples of regeneration increasing the number of homes and improving the local environment. Our decisions to sell empty homes or to let to homeless households are made using an asset evaluation matrix. This is ultimately to maximise the outcomes from the asset and control our long term liabilities.

The next significant regeneration opportunity is the Teviot Estate and following the 2018 ballot result (86% in favour of regeneration and 81% turnout) the Board is focussing its attention on viability and funding. The June 2020 business plan and revised Resourcing the Vision targets includes the increased number of asset sales and conversions to local housing allowance, building the resilience and funding required to deliver the improvements to the estate and significant increase in the number of affordable homes.

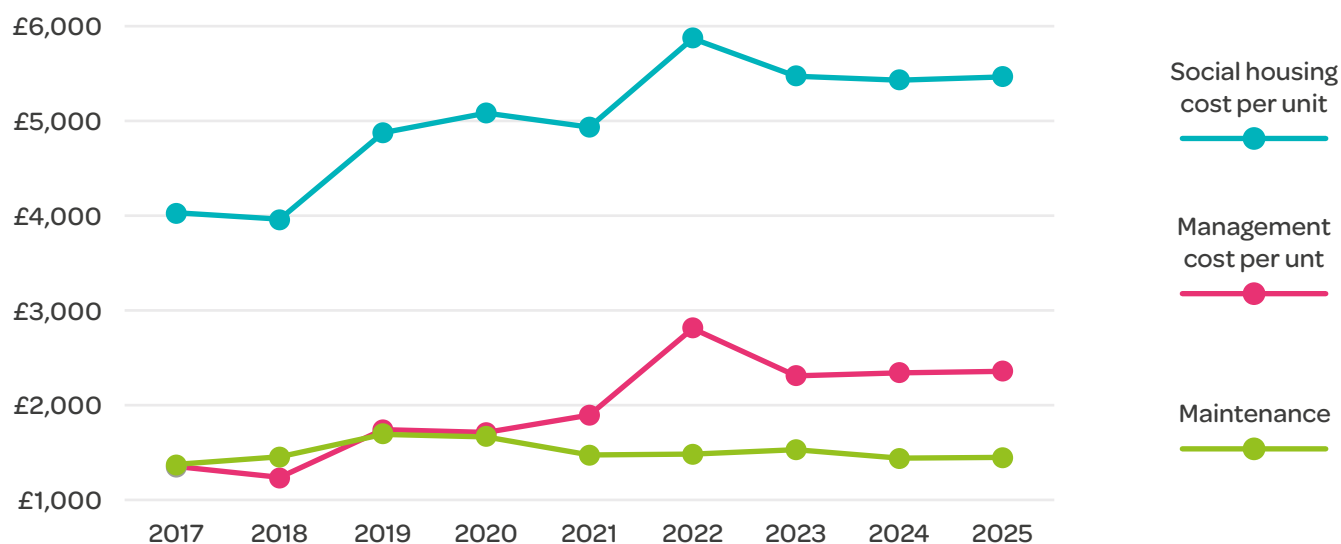
The investment of asset disposal proceeds in new affordable homes through regeneration or acquisition is a priority for the Board to provide more affordable homes and enhance the underlying strength of the social lettings business which has weakened temporarily through the asset management and regeneration programme. A further influence is income generated in partnership with the London Borough of Tower Hamlets in housing homeless people is non-social housing activity, but is a secure income stream and delivers social value.

The tragedy at Grenfell Tower further reinforced the Board's commitment to ensuring that our residents all live in safe homes, in safe blocks on safe estates. The Board's decision to increase investment in our rented homes and management has resulted in higher social housing lettings expenditure. This has increased social housing cost per unit by 4.3% to £5,082. In 2019 the Board committed to an objective of no further material increases in social housing cost per unit. The 4.3% year on year is driven by compliance requirements and higher costs of refurbishing void properties. The business plan shows social housing cost per unit increasing over the next five years due to major repairs but stable in all other service areas. The Board continues to work with its Committees to monitor the position and maintain its commitment.

Looking forward, total social housing cost per unit is anticipated to rise to approximately £5,900 and then fall back to approximately £5,500. The increase is driven by maintenance investment in our stock which is heavily influenced by fire safety. The management cost per unit is expected to fall from 2020 (£1,674 per unit) and then stabilise at approximately £1,500 per unit all the way through to 2025. In real terms this is a significant cost per unit reduction by 2025. This is achieved through an increase in affordable homes from regeneration and re-investing RACO proceeds whilst maintaining a stable housing management resource. This is possible due to the efficiency gains arising from digitalisation and through returns on investment in our Organisational Development Strategy.

COST PER UNIT TREND

ACTUAL TO 2020 AND FORECAST 2021 TO 2025



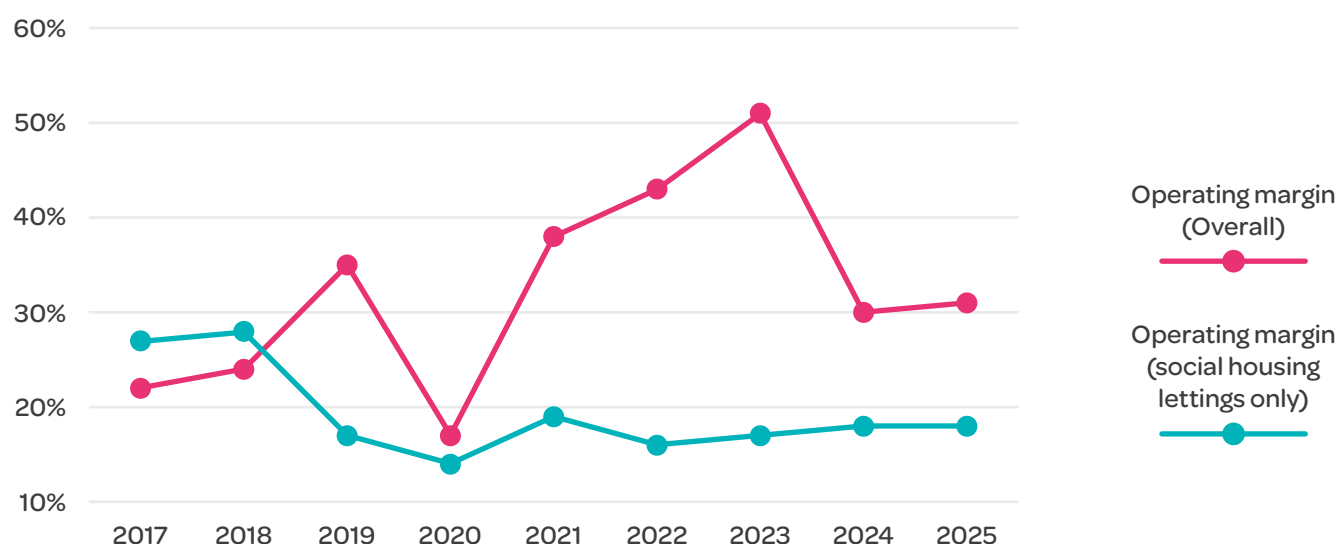
The Board remains committed to its net investment in communities which was £4.3m for the year (2019: £4.3m) and monitors and the outcomes together with the Services Committee. The service is supplemented by grant income and the total spend in the year was £6.7m (2019: £6.0m). The target of delivering a new youth engagement programme 'Get Inspired, Get Active, Get Creative' and engaging with 3,000 young people in youth provision was achieved (3,600 actual for 2020).

The £4.3m net community investment is equivalent to 10% social housing lettings operating margin and without this investment cost our social lettings operating margin would be close to the peer group average. That

is despite the significant secure non-social housing revenue from housing homeless households through our Mixed Income Tenure Strategy.

Poplar HARCA's relatively weak social housing lettings operating margin is credit negative and the Board gives careful consideration to the balance of delivering its charitable objectives and its credit rating. Following an upgrade to BAA1 stable in December 2019, the Board is confident it can raise new funding and maintain a cost of capital that enables financially viable regeneration schemes. Maintaining the BAA1 stable credit rating and raising finance at competitive costs is a clear target for the Board in 2020/21 and the following years.

OPERATING MARGIN - SOCIAL AND OVERALL ACTUAL TO 2020 AND FORECAST 2021 TO 2025



Value For Money Scorecard

The table on the following page is the Poplar HARCA Value for Money Scorecard that compares performance against a 2019 peer group average (the 2020 peer group average was unavailable when this report was written). The performance measures are set by the Board and include seven that are specifically required to be published annually under the "Value for Money Standard 2018" issued by the Regulator.

A number of the performance measures that clearly align with the Poplar HARCA Corporate Strategy are mentioned above. Regarding resident satisfaction (including leaseholders), no formal survey took place in 2019/20 with the next survey scheduled for 2020/21. The result from the previous year of 81% was an improvement on the previous survey result of 75%. We are targeting an upper quartile satisfaction result compared to peers for the next survey.

Value For Money Scorecard

Sector scorecard	PH Group 2020	PH Group 2019	Peer Group 2019 ¹
Business health			
Operating margin excluding surplus on disposals	17%	35%	34%
Operating margin - social housing lettings	14%	17%	27%
EBITDA MRI % interest cover ²	135%	218%	217%
Development - capacity and supply			
New supply delivered (absolute)			
Units developed social housing units	251	58	53
Units developed non-social housing units	0	0	0
New supply delivered (as % of units owned)			
Units developed social housing units	4%	1%	1%
Units developed non-social housing units	0%	0%	0%
Gearing ³	48%	48%	50%
Outcomes delivered			
Resident satisfaction with services provided by landlord	-	81%	81%
Reinvestment % ⁴	5%	5%	6%
Investment in Communities (spend in year)	£6.7m	£6.0m	£0.8m
£s invested in Communities for every £ generated from operations	0.54	0.19	N/A
Effective asset management			
Return on capital employed ⁵	4%	11%	5%
Occupancy	99.0%	99.3%	99.7%
Ratio of responsive repairs to planned maintenance	0.8	0.9	0.3
Operating efficiencies			
Headline social housing cost per unit	£5,082	£4,873	£4,356
Management cost per unit	£1,674	£1,701	£1,275
Service charge cost per unit	£1,180	£937	£741
Maintenance cost per unit	£1,344	£1,496	£1,176
Major repairs cost per unit	£368	£246	£654
Other social housing cost per unit	£516	£493	£510
Rent collected	100.7%	102.6%	100.7%

¹ Poplar HARCA 2019 peer group median data used (source: HouseMark data - 'Global Accounts benchmark' unless otherwise stated)

² EBITDA MRI % interest calculated as EBITDA MRI ÷ Gross interest payable x 100 as prescribed in the current sector scorecard pilot, where EBITDA MRI represents earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs

³ Gearing calculated as net debt ÷ Housing properties a cost x 100 as prescribed in the current sector scorecard pilot, where net debt represents total loans (including finance lease) less cash and cash equivalents

⁴ Investment in properties as a % of the value of total properties held at year end

⁵ Return on capital employed calculated as operating surplus ÷ (total fixed assets + total current assets less total creditors due within one year)



Risk Management

Poplar HARCA has a well-developed and robust risk management process. The risk map identifies significant risks, assesses their likelihood and impact and sets out how the organisation mitigates monitors and manages those risks.

Major risks are reviewed annually by the Board and this is supported by quarterly reviews by the Audit and Risk Committee.

Risks are assessed for likelihood and potential impact before and after any mitigation by the Corporate Management Team supported by operational managers. A risk map is prepared for any new ventures or activities and the Board considers risk when making decisions.

Among the risks facing Poplar HARCA are those arising from external economic factors and from government initiatives and regulatory changes. The most significant risks facing Poplar HARCA are described below:

- Exposure to market sales through joint venture activity (open market sales) and our shared ownership programme is a key risk for the Group and a fall in prices of 20% and delay in sale completions is modelled as part of stress testing. Working through joint venture means cross default risk is mitigated, and whilst reductions in LLP profits or losses would have an impact on Group cash flow, the volatile accounting impact is excluded from loan covenants.

- Abortive costs and financial penalties of exiting or not going ahead with development contracts is a significant risk for Poplar HARCA. Exposure to development contracts is carefully managed and monitored and the potential impact incorporated into stress testing.

- While our good performance on rent collection has continued, we are still to see the full effect of the economic impact of the Covid-19 pandemic and the Government's Welfare Reform changes. We cannot be certain of the extent to which rental income collection will be affected. In response to the current economic climate, an additional provision for bad debts was made in 2019/20 and the Board approved an increase in the base assumption in the business plan to 2% of income from 1.5%. We include a doubling of bad debts as part of our multiple stress scenario testing.

INSURANCE

Poplar HARCA maintains insurance policies for all major risks including insurance for members of the Board and Corporate Management Team against liabilities in relation to Poplar HARCA.



Health, Safety and Fire

We have a comprehensive system in place to manage health and safety.

There were no prosecutions or enforcement actions during the year. Quarterly reports on health and safety performance with an annual overall report and plan are given to our Audit and Risk Committee.

At the start of the Covid-19 pandemic, there was a focus by the Health, Safety and Fire Team on helping other departments to risk assess the cleaning of their buildings plus their operations in light of coronavirus. Preparation for home working was then conducted with the distribution of home computer workstation health and safety advice and the offer and provision of accessories to make home working more comfortable. Risk assessments have been put in place for those areas of the business which have continued to operate with a staff presence or where staff are now returning. There has been continued liaison with the Borough's Resilience Forum throughout the pandemic. Details of the Association's response to the pandemic were presented in the RtV Board report in March and the May Services Committee.

Fire safety across our residential stock is still a priority area. Fire risk assessments (FRAs) are carried out annually for all blocks with an additional check every six-months on blocks considered a higher risk due to height, layout etc. We spent approximately £850k on fire improvement work across our stock during the last business year. We are currently employing fire engineers to conduct external wall system assessments of our high rise stock.

Estate Services Operatives conduct daily visual assessments in line with our Estate Management Procedure with a documented fire safety check each month. In addition, our Estate Services team removed over 800 tonnes of dumped bulk rubbish last year, significantly reducing the risk of arson.

Our Asset Management compliance monitoring which is reported through our Services Committee includes a number of items associated with fire safety including electrical installation testing and gas servicing. Where not already in place, fire detection is installed by our electricians in our tenanted homes when they conduct NICEIC checks in addition to which the detection is tested by our gas contractor during annual gas servicing appointments of tenanted homes.

In March 2020, the government announced plans to set up a £1bn Building Safety Fund for private and social housing landlords to remove dangerous cladding of all types, not just Grenfell-style aluminium composite material. Poplar HARCA has identified 8 blocks where remedial work may be required to get external wall system1 (EWS1) certificates. The estimated cost of remedial works is currently £5m and Poplar HARCA will apply for grant to fund the leaseholder's proportion of the cost.

Constitution and Governance

Poplar HARCA is a charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014. Poplar HARCA is also registered with the Regulator of Social Housing (RSH) as a Registered Provider.

Poplar HARCA was incorporated on 13 September 1998. Poplar HARCA converted from a Company Limited by Guarantee to a Registered Society on 23 February 2018. Poplar HARCA has ten directors who are also shareholders. There are currently two vacancies.

CORPORATE GOVERNANCE

The Board has adopted the National Housing Federation's (NHF) Revised Code of Governance published in 2015. Poplar HARCA complies with the code in all material respects.

The Board is committed to integrity and accountability in its stewardship of Poplar HARCA and has adopted a Probity Policy against which it can measure and maintain standards.

Poplar HARCA strives for excellence in governance. An in depth assessment (IDA) by the Regulator took place in 2017/18 and resulted in no change to the highest governance rating of G1 and no change to the compliant viability rating of V2. Poplar HARCA's governance structure is described below.

The Board confirms that the Group complies with the Governance and Financial Viability standard that includes adhering to all relevant law. The Board also confirms that the Strategic Report has been prepared in accordance with the principles set out in the Housing SORP 2018.

POPLAR HARCA BOARD

The Board is the main governance vehicle for the organisation and has a formal schedule of matters reserved for its decision. Responsibility for Poplar HARCA's day to day operations is delegated to the Corporate Management Team, which reports through the Chief Executive. The Board meets at least four times a year and members of the Corporate Management Team attend all meetings.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the period were as follows:

► **Paul Brickell (Chair)**

► **Alexandra Woolmore**

► **Colin Woollard (retired March 2020) John Norman**

► **Matthew Rowe**

► **Momtaz Ajid**

► **Naz Hussain**

► **Rafi Mannan**

► **Sade Koiki**

► **Simon Turek**

► **Tanya Martin**

► **Tilat Mahiudin (retired September 2020)**

The directors received no remuneration during the period.



DIRECTORS APPOINTMENTS, DIVERSITY & INCLUSION, SUCCESSION PLANNING, BOARD EVALUATION

Poplar HARCA operates a community focused Board model, which means when vacancies arise we first search for candidates who are Poplar HARCA residents, then search further across Poplar and Tower Hamlets, and finally to the wider community to fulfil particular skill requirements.

Of our ten Board members, four are local residents and one a former resident, and a total of three members are Poplar HARCA tenants or leaseholders.

We continue to promote diversity and inclusion on our Board and Committees and utilise a wide range of resources to find candidates; including referrals from our REST and CaN teams, Youth Empowerment Board and Joint Estate Panel. We also use LinkedIn, social media, the Poplar HARCA website and email newsletters, Say It Poplar, Reach Volunteering and Volunteer Centre Tower Hamlets. At 31 May 2020 the Board had a gender balance of 45% female, 55% male, and a broad distribution of members across age brackets (as below).

Age	18-25	26-45	46-64	65+
	1	6	3	1

We will continue to work on broadening the Board's ethnic diversity; currently the Board has six white British, three British Asian-Bangladeshi, one black British and one British Asian-Pakistani member.

Four members have joined our Committees over the last year, providing vital capacity building opportunities to perpetuate the strength of the Board moving into the future. The skills base of the Board and Committees remains strong, and a range of development and training opportunities have been delivered throughout the year providing members with vital skills that enhance our governance. Board and Committee members undergo an appraisal on a biennial basis with their Chair to evaluate performance and identify skills gaps.

The Remuneration & Nominations Committee meets annually and the Committee Chairs meet quarterly to monitor succession planning and evaluation of the Board and Committees. As required by the NHF Code of Governance, the Board considers their own performance annually, with a formal review every three years.

The following Committees meet four times a year minimum and provide assurance and recommendations to the Board, which will sign off final decisions when required. Attendance in the last twelve months has been good, with an average 77% Board attendance, and average 81% attendance across the following Committees.

► **Finance and General Purposes Committee**

The Finance and General Purposes Committee oversees finance strategy and performance, the capital programme, the asset management strategy and policies relating to information technology and personnel. The Committee also provides assurance to the Board that Poplar HARCA meets all material respects of the regulatory requirements in respect of the RSH Economic Standards for Financial Viability, Value for Money and Rent.

► **Audit and Risk Committee**

The Audit and Risk Committee provides assurance to the Board that Poplar HARCA and its subsidiary organisations operate an effective system of audit (external and internal) and risk management that is consistent with the corporate strategy, statutory and regulatory requirements and best practice.

► **Services Committee**

The Services Committee is responsible for providing assurance to the Board that Poplar HARCA meets all regulatory requirements in respect of services to users of its services including the RSH Consumer Standards.

In addition, the following groups provide input to Poplar HARCA's governance structure:

► **Remuneration and Nominations Committee**

The Remuneration and Nominations Committee provides assurance to the Board on the effectiveness of Poplar HARCA's performance appraisal and remuneration of the Chief Executive, remuneration structure for the Corporate Management Team members, pension arrangements, and Board and Committee member development.

► **Youth Empowerment Board (YEB)**

The YEB enables young local people to influence policies and services, covering issues including community safety, regeneration and homelessness. It is open to 16-25 year olds who live in Tower Hamlets. The Chair of YEB joined the Poplar Board in 2019, further strengthening ties between young people and Poplar HARCA's formal governance structure.

► **Estate Boards and Joint Estate Panel**

There are ten Estate Boards/Gathering Groups consisting of elected tenant and leaseholder representatives. Estate Boards work in partnership with Poplar HARCA to ensure that residents' voices are heard within the organisation in order to improve and shape the services provided. They have an advisory/consultative role on local service provision, housing, technical, community and physical regeneration, and meet to consider how services are being delivered, future plans, projects and initiatives, how to spend an allocated Estate Minor Works budget. The Joint Estate Panel is made up of two members from each Estate Board/Gathering Group, with an added scrutiny remit on strategic issues of most importance to residents.

93% of involved Estate Board and Gathering Members felt that they work with Poplar HARCA to ensure that resident voices are heard.

RELATED PARTY DISCLOSURES

Four of the current Board directors are tenants or leaseholders of Poplar HARCA. The tenancies are on normal commercial terms, they pay the same rents as other tenants and the directors cannot use their position to their advantage.

All directors are required to declare their interests at Board meetings and are not able to vote on matters in which they have a direct interest.

CORPORATE MANAGEMENT TEAM

The members of the Corporate Management Team who served during the year were:



Stephen Stride
Chief Executive



Jonathan Spearing
Director of Finance



Kevin Wright
Director of Technical Resources



Neal Hunt
Director of Development



Andrea Baker
Director of Housing



Babu Bhattacharjee
Director of Communities
& Neighbourhoods

Members of the Corporate Management Team have no ownership interest in Poplar HARCA. They act as executives within the authority delegated by the Board. The detailed scrutiny of performance, the development of policy and procedures and expenditure approvals within budget are carried out by the Corporate Management Team. The Corporate Management Team meets at least once a month for these purposes.

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

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

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

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

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

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

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

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

Poplar HARCA is a charitable organisation. No contributions were made to other charities or to political organisations (2019: £nil).

DISCLOSURE OF INFORMATION TO AUDITORS

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

Internal Controls Assurance Statement

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

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. The Board also uses the NHF Code of Governance issued in 2015 to review how it operates and how effectively it governs the Association. Every three years an independent governance review is completed, the most recent taking place in 2018.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

1. Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Association's activities. This process is co-ordinated through regular reporting to the Audit and Risk Committee (ARC). The Corporate Management Team and the Chief Executive are responsible for reporting to ARC and ultimately the Board any significant changes affecting key risks.

2. Monitoring and Control

Clear responsibilities for managers provide hierarchical assurance to successive levels of management and the Board. These include Standing Orders and Financial Regulations supported by organisational structures and job descriptions.

Controls are reviewed systematically in line with changing environment and internal audit recommendations. Improvements were made to controls during the year to strengthen the Board's assurance framework.

3. Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new investment projects. The Board has in place a framework of policies and procedures covering issues such as probity, delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

4. Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by Internal Auditors who are responsible for providing independent assurance to the Board via its Audit and Risk Committee. RSM, our Internal Auditors, have completed three full years of audit. In addition and separate to the internal audit programme, RSM have recently provided GDPR awareness training across the whole organisation.

The Audit and Risk Committee considers internal control and risk at each of its meetings during the year.

The Board has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

5. Independent review of governance

An in depth assessment (IDA) by the Regulator took place in 2017/18 and resulted in no change to the highest governance rating of G1 and no change to the compliant viability rating of V2.

AUDITOR

In accordance with Section 487 of the Company Act 2006, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue office.

STRATEGIC AND DIRECTOR'S REPORT

The strategic report and statement of the Board's responsibilities was approved on 15 September 2020.

By order of the Board



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Dr Paul Brickell - Chair

155 East India Dock Road

Poplar

London E14 6DA

Date: 15 September 2020

Independent auditor's report to the members of Poplar Housing and Regeneration Community Association Limited

OPINION

We have audited the financial statements of Poplar Housing and Regeneration Community Association Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group Statement of Cash Flows, the Group and the parent association's Statements of Changes in Reserves 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2020 and of the group's and the parent association's surplus for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting 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 company 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.

EMPHASIS OF MATTER – IMPACT OF THE OUTBREAK OF COVID-19 ON THE FINANCIAL STATEMENTS

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on pages 3 and 14, and the consideration in the going concern basis of preparation on page 42 and non-adjusting post balance sheet events on page 89.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company and group's trade, customers, suppliers and the wider economy.

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's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF THE BOARD

- ▶ As explained more fully in the Statement of the Board's responsibilities set out on page 29, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- ▶ In preparing the financial statements, the Board is responsible for assessing the group's and the parent 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 parent 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.

USE OF THE AUDIT REPORT

This report is made solely to the parent association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the parent 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 parent association and the parent association's members as a body for our audit work, for this report, or for the opinions we have formed.



Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham B3 2RT

Date:



Financial Statements



Statement of Comprehensive Income - Group and Association

For the year ended 31 March 2020

	Notes	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	2a	65,300	74,958	63,727	60,203
Cost of sales	2a	(2,415)	(498)	(2,415)	(498)
Operating costs	2a	(51,761)	(48,543)	(51,541)	(48,278)
Net income/cost of refurbishment works to leasehold properties	2a	(103)	149	(103)	149
Share of operating (loss)/surplus of joint ventures	2a, 16	1,574	(1,061)	-	-
Write down of investment in joint ventures	16	(4,745)	(4,024)	-	-
Gain on disposal of fixed assets and investment property	2a, 5	15,245	33,936	15,245	33,967
Change in value of investment property	14	(1,970)	5,221	(1,970)	5,532
Operating surplus	2a	21,125	60,138	22,943	51,075
Interest receivable and similar income	6	971	554	1,081	655
Interest payable and similar charges	7	(12,572)	(12,773)	(12,572)	(12,773)
Gift aid	29	-	-	-	11,226
Surplus before tax	4	9,524	47,919	11,452	50,183
Tax on surplus on ordinary activities	10	(525)	191	-	43
Surplus for the year		8,999	48,110	11,452	50,226
Other comprehensive income					
Initial recognition of multi-employer defined benefit scheme	8	-	(1,801)	-	(1,801)
Re-measurement of pension schemes	8	3,617	(243)	3,617	(243)
Total comprehensive income for the year		12,616	46,066	15,069	48,182

All amounts relate to continuing activities. The accompanying notes form an integral part of these financial statements.



Dr Paul Brickell
Chair



Tanya Martin
Trustee



Jonathan Spearing
Company Secretary

Statement of Financial Position

- Group and Association

As at 31 March 2020

		Group		Association	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets					
Housing properties	11	431,321	414,475	431,321	414,475
Other fixed assets	12	15,164	15,388	15,164	15,388
Intangible assets	13	462	469	462	469
Investment in commercial properties	14	69,673	71,638	65,435	67,405
Investment in subsidiaries	15	-	-	18,758	18,612
Joint ventures	16	8,879	12,453	-	-
		525,499	514,423	531,140	516,349
Current assets					
Stock	17	7,474	2,740	7,474	2,740
Debtors falling due within one year	18	12,401	16,956	19,680	33,805
Debtors due after more than one year	18	15,238	9,570	15,009	9,375
Short term investment	20	6,586	6,586	6,586	6,586
Cash and cash equivalents	19	13,541	23,699	6,014	8,344
		55,240	59,551	54,763	60,850
Creditors: amounts falling due within one year	23	(17,376)	(17,843)	(16,757)	(17,717)
Net current assets		37,864	41,708	38,006	43,133
Total assets less current liabilities		563,363	556,131	569,146	559,482
Long term liabilities	24	(383,947)	(385,730)	(383,844)	(385,648)
Provisions for liabilities	25	(7,312)	(10,913)	(7,312)	(10,913)
Net Assets		172,104	159,488	177,990	162,921
Reserves					
Income and expenditure reserve		170,604	157,988	176,490	161,421
Fair value reserve		1,500	1,500	1,500	1,500
Total reserves		172,104	159,488	177,990	162,921

These financial statements were approved by the Board of Directors on 15 September 2020 and were signed on its behalf by:



Dr Paul Brickell
Chair



Tanya Martin
Trustee



Jonathan Spearing
Company Secretary

Statement of Changes in Equity - Group

For the year ended 31 March 2020

Group	Notes	Called up share capital £'000	Fair value reserve £'000	Income and expenditure reserve £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2018 – previously reported		-	1,500	108,008	7	109,515
Prior period adjustment – fair value revaluation on investment properties		-	-	3,914	-	3,914
Balance at 1 April 2018 – as restated		-	1,500	111,922	7	113,429
Surplus for the year after tax		-	-	48,110	-	48,110
De-recognition of minority interest		-	-	-	(7)	(7)
Initial recognition of multi-employer defined benefit scheme	8	-	-	(1,801)	-	(1,801)
Re-measurement of pension scheme	8	-	-	(243)	-	(243)
Balance at 31 March 2019		-	1,500	157,988	-	159,488
		£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019		-	1,500	157,988	-	159,488
Surplus for the year after tax		-	-	8,999	-	8,999
Re-measurement of pension scheme	8	-	-	3,617	-	3,617
Balance at 31 March 2020		-	1,500	170,604	-	172,104

Statement of Changes in Equity - Association

For the year ended 31 March 2020

Association	Notes	Called up share capital £'000	Fair value reserve £'000	Income and expenditure reserve £'000	Total equity £'000
Balance at 1 April 2018 – previously		-	1,500	109,325	110,825
Prior period adjustment – fair value revaluation on investment properties		-	-	3,914	3,914
Balance at 1 April 2018 – as restated		-	1,500	113,239	114,739
Surplus for the year after tax		-	-	50,226	50,226
Initial recognition of multi-employer defined benefit scheme	8	-	-	(1,801)	(1,801)
Re-measurement of pension scheme	8	-	-	(243)	(243)
Balance at 31 March 2019		-	1,500	161,421	162,921
		Called up share capital £'000	Fair value reserve £'000	Income and expenditure reserve £'000	Total equity £'000
Balance at 1 April 2019		-	1,500	161,421	162,921
Surplus for the year after tax		-	-	11,452	11,452
Re-measurement of pension scheme	8	-	-	3,617	3,617
Balance at 31 March 2020		-	1,500	176,490	177,990

Consolidated Cash Flow Statement

For the year ended 31 March 2020

Notes	2020 £'000	2019 £'000
21	15,150	34,741
	(29,386)	(22,145)
	(1,414)	(7,034)
	17,430	34,981
	10	-
	-	432
	549	-
	(419)	(4,591)
	-	-
	1,803	3,287
	65	59
	(11,362)	4,989
	(11,157)	(11,286)
	(2,490)	(2,496)
	(299)	(294)
	(10,000)	(10,000)
	10,000	-
	(13,946)	(24,076)
	(10,158)	15,654
	23,699	8,045
22	13,541	23,699

Notes to the Financial Statements for the year ended 31 March 2020

1. Legal Status

The association is incorporated under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority (FCA) and is a registered provider of social housing with the Regulator of Social Housing, Homes England. Poplar Housing and Regeneration Community Association Limited is the ultimate parent of the Poplar HARCA Group.

Poplar HARCA has four subsidiaries; Poplar HARCA (Developments) Limited, Poplar HARCA Projects Limited and Poplar HARCA Capital PLC and Leaside Business Centre Management Limited. All four subsidiaries are registered under the Companies Act 2006 and are not registered providers of social housing.

2. Accounting policies

BASIS OF ACCOUNTING

The financial statements of Poplar HARCA ("the Group") are prepared in accordance with the Co-operative and Community Benefits Societies Act 2014, FRS 102 (March 2018), the financial reporting standard in the UK and Republic of Ireland ("FRS102") and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 ("SORP 2018"), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling (£). All amounts in the financial statements have been rounded to the nearest £1,000. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements except for the adoption of:

New Standards applied

In yearend March 2019 the Group has adopted all the new and revised standards (FRS 102, SORP 2018 and Accounting Direction for Private Registered Providers of Social Housing 2019) which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any effect on the financial performance or position of the Group. Note 8 for further detail on the effect of the change in line with FRS102 10.13 (a) to (d).

Changes to accounting policy

There has been a change to the accounting policy relating to the Social Housing Pension Schemes in year ended March 2019. In the Financial year ended March 2019 information has become available to enable Defined Benefit accounting for Social Housing Pension Schemes, which in prior years has been accounted for as a Defined Contribution Scheme.

PRIOR PERIOD ADJUSTMENT

Due to adoption of new standards and change of accounting policy in year ended March 2019, the restatement of figures are disclosed in the relevant to notes to the financial statements (refer to note 12,14,19,20,23 and 24).

MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis except for investment properties stated at their fair value measured in accordance with the revaluation model.

GOING CONCERN

As a consequence of COVID-19 the group has undertaken extensive stress testing of its short term and long-term plans.

We have considered the impact that COVID-19 has on our cashflows, including sales, rent receipts, arrears and bad debt levels and the uncertainty regarding phasing of work to our stock. We have considered the values at which we hold our properties. After reviewing the Group's budget for 2020/21 and forecast for future years, and based on normal strategic business planning and control procedures, and following the 15 September 2020 Board meeting, the Board has a reasonable expectation that Poplar HARCA has adequate resources to continue in operational existence for the foreseeable future.

The Board therefore continues to adopt the going concern basis in preparing these financial statements.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the financial statements of Poplar Housing and Regeneration Community Association Limited ("Poplar HARCA Limited") and its subsidiary undertakings Poplar HARCA Projects Limited, formerly known as Poplar HARCA Refurbishments Limited, Poplar HARCA (Developments) Limited, Poplar HARCA Capital PLC and Leaside Business Centre Management Limited.

The Joint Venture investments in Aberfeldy New Village LLP and Balfron Tower Developments LLP are accounted for using the equity accounting method in these consolidated financial statements.

The fully owned subsidiaries of Poplar HARCA Limited are shown below:

Subsidiary	Date control gained	Status	Activity
Poplar HARCA Projects Limited	13 November 1997	Company limited by shares	Management of overages and mixed income tenures (Market rent and LHA rateable) lettings Joint venture partner to Balfron Tower Developments LLP
Poplar HARCA (Developments) Limited	16 November 2005	Company limited by shares	Development of properties for re-sale Joint venture partner to Aberfeldy New Village LLP
Poplar HARCA Capital PLC	4 April 2013	Company limited by shares	Bond finance provided to the Group
Leaside Business Centre Management Limited	6 April 2016	Company limited by shares	Management company of commercial properties

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Association's shareholders.

In preparing the Association's individual financial statements, the Association has taken an advantage of the exemption from presenting a statement of cash flows, as permitted by Section 7 'Statement of Cash Flows'.

BASIC FINANCIAL INSTRUMENTS

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102, in full, to all of its financial instruments.

► Tenant Arrears, Trade and other debtors

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

► Trade and other creditors

Tenant and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

► Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

► Investment in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

► Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only for the cash flow statement.

FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

An impairment review is undertaken when there is an indication that the asset may be impaired. An impairment charge is recognised when it is assessed that the carrying amount of the asset (or the cash generating unit it belongs to) is higher than both its fair value less costs to sell and its value in use, in which case the higher of these two values is taken to be its net book value.

HOUSING PROPERTIES

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales (25% First Tranche Sales). The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

DEPRECIATION

Component Useful life

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated.

The estimated useful lives are as follows:

Component	Useful Life (Assets capitalised prior to 1 April 2015)	Useful Life (Assets capitalised from 1 April 2015)
Kitchen	15 years	20 years
Bathrooms	35 years	30 years
Electrical	40 years	40 years
Heating system	15 years	20 years
Windows and doors	30 years	30 years
Roofs	40 years (pitched) or 15 years (flat)	40 years (pitched) or 20 years (flat)
Lifts	20 years	25 years
Door entry system	15 years	15 years
Structure	50 years	50 years
Environmental improvements	15 years	15 years
Community centres & major improvements	30 years	30 years
Minor improvements to community centres	10 years	10 years
Photovoltaics	N/A	25 years

Non component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the year ended 31 March 2020, interest has been capitalised at an average rate of 4.72% (2019: 4.74%) that reflects the weighted average cost of capital on the Group's borrowings required to finance housing property developments.

OTHER FIXED ASSETS

Depreciation is provided evenly on the cost of tangible fixed assets to write them down to their estimated residual values over their expected useful economic lives as follows:

New offices (except for head office which is depreciated over the term of the finance lease)	30 years (3.3% per annum)
Minor improvements to estate service centres	10 years (10% per annum)
Computer equipment and software	4 years (25% per annum)
Office furniture and equipment	5 years (20% per annum)
Vehicles and estate service centre equipment	4 years (25% per annum)

Freehold land is not depreciated.

INTANGIBLE ASSETS

Intangible assets are recognised at cost at acquisition. There are no internally generated intangible assets. The cost method is used for subsequent measurement net of accumulated amortisation. Intangible assets are amortised over the length of the useful life on an asset by asset basis.

SOCIAL HOUSING GRANT AND OTHER CAPITAL SUBSIDIES

The social housing grant ("SHG") is initially recognised at fair value as a long term liability, repayable indefinitely unless formally abated or waived. The SHG and other capital grants are treated specifically as deferred grant income and released through the Statement of Comprehensive Income as turnover income over the expected useful life of the structure of housing properties and its individual components in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, or occurrence of certain relevant events, all associated SHG are transferred to the Recycled Capital Grant Fund ("RCGF") until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime. In recognition of this, external lenders seek the subordination of the Regulator of Social Housing's (formerly known as Homes and Community Agency) right to recover grant to their loan.

Poplar HARCA Limited received an Estate Renewal Challenge Fund (ERCF) Grant to finance the first and second transfers of Council housing in 1998. Although the Housing Corporation paid these grants to Poplar HARCA as Social Housing Grant, the usual conditions of SHG do not apply and, in particular, it is not repayable when properties are sold.

The stock transfers in August 2005, November 2006, December 2007 and July 2009 attracted "gap funding" grant from the Department of Communities, Regulator of Social Housing and from the London Borough of Tower Hamlets ("LBTH"). This is potentially subject to claw back according to future outcomes, but it is unlikely that any of these grants will become repayable.

Additional capital grants and contributions have been received from LBTH and other bodies which have been included within the grant liability. There is no requirement for future repayment on these grants.

The net proceeds from the sale of homes under the Right to Acquire scheme is transferred to the RCGF following the abolition of DPF. Poplar HARCA Limited utilises the RCGF to part fund its development schemes under the RSH affordable homes programme.

INVESTMENT PROPERTIES

Investment properties are properties which are held either to earn rental income at a market rate or for capital appreciation or for both. Property interest held by a lessee under an operating lease may be classified and accounted for as investment property if property meets the definition of an investment property and the lessee can measure the fair value of the property interest on an on-going basis.

Investment properties are recognised initially at cost.

Subsequent to initial recognition

- i. Fair value is determined annually and any gains or losses arising from changes in the fair value are recognised in income and expenditure in the period that they arise; and
- ii. No depreciation is provided in respect of the investment properties applying the fair value model.

Investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. A professional valuation is obtained in a three year cycle and a directors' valuation is carried out in the years where a professional valuation is not obtained.

Any gain or loss arising from a change in fair value is recognised in Statement of Comprehensive Income. Rental income from investment property is accounted for as described in the note 2a Particulars of turnover, cost of sales and operating costs.

PROPERTIES HELD FOR SALE AND WORK IN PROGRESS

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme.

Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Completed properties and property under construction for shared ownership are split between current assets (properties held for sale) and fixed assets. The expected shares of the first tranche sales are shown as current assets.

RIGHT TO BUY DISPOSALS

The gain or loss on disposal of housing properties under the Right to Buy is recognised in the Statement of Comprehensive Income at the date of transfer of title, net of any amount payable to the London Borough of Tower Hamlets under the relevant stock transfer agreement.

Any regular Social Housing Grant allocated to the property will be recycled through the Recycled Capital Grant Fund. However, the majority of the capital grants received on the right to buy properties were from the Estate Renewal Challenge Fund, and these grants are not repayable when properties are sold.

RIGHT TO ACQUIRE DISPOSALS

Net proceeds from Right to Acquire sales if unused within a three year period may be repayable to the RSH with interest. The development programme of the Association is such that the Disposal Proceeds Fund is likely to be used before it becomes payable. Any unused proceeds held within the Disposal Proceeds Fund are disclosed in the Statement of Financial Position under note 24 *Creditors: amounts falling due after more than one year*.

MIXED TENURE DEVELOPMENT

Poplar HARCA Limited develops some schemes which comprise of more than one tenure type (for example, schemes with properties both for rent and for shared ownership).

Where there is a surplus on one tenure type (i.e. the value in use exceeds the cost net of grant) and a shortfall on another tenure type (the cost net of grant exceeds the value in use), then the net surplus on the scheme is recognised. This reflects the existence of cross-subsidy between scheme elements (i.e. different tenure types).

The surplus recognised on first tranche sales is restricted to the overall surplus on that development scheme.

This restriction is shown by an increase in the cost of sales and a reduction in the remaining fixed asset cost of the scheme in the Statement of Financial Position.

COMMUNITY REGENERATION

Grant income, expenditure and an allocation of Poplar HARCA's costs relating to community regeneration is accounted for within the Statement of Comprehensive Income.

Funds received from government sources are accounted for using the accrual model, where funds are held within debtors/creditors and released to income in line with expenditure.

Funds received from non-government sources are accounted for using the performance model. Revenues are recognised only when the revenue recognition criteria are satisfied. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Impairment excluding Properties Held for Sale, Work in Progress and Investment Properties

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through income and expenditure is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of financial assets such as investments are measured at amortised cost and calculated by deducting the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that Poplar HARCA would receive for the asset if it were to be sold at the reporting date. For rent arrears an impairment loss is recognised on the unrecoverable arrears, which are classified as bad debts by management. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised as expenditures in the Statement of Comprehensive Income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income as a separate line within the operating expenditures and not netted off operating expenditures.

Non-financial assets

The carrying amounts of Poplar HARCA's non-financial assets such as Property, Plant and Equipment, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised as expenditure. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

EMPLOYEE BENEFITS

The Group participates as a contributing member of the Social Housing Pension Scheme ("SHPS") administered by the Pensions Trust and the Local Government Pension Scheme ("LGPS") administered by the London Pension Fund Authority.

DEFINED CONTRIBUTION PLANS AND OTHER LONG TERM EMPLOYEE BENEFITS

The Group operates a defined contribution pension scheme for all new employees joining after 1 October 2010 where the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income and expenditure account in the periods during which services are rendered by employees.

DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group participates as a contributing member of the SHPS administered by the Pensions Trust and the LGPS administered by the London Pension Fund Authority.

Local Government Pension Scheme

The LGPS provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. This scheme is closed to new entrants. Pension scheme assets are measured using market values. The Group's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that they are recoverable) or deficit is recognised in full. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in Statement of Comprehensive Income.

Re-measurement of the net defined liability/asset is recognised in other comprehensive income.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Social Housing Pension Scheme

SHPS is a multi-employer scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group.

The Group's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that they are recoverable) or deficit is recognised in full. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in Statement of Comprehensive Income.

Re-measurement of the net defined liability/asset is recognised in other comprehensive income.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if Poplar HARCA has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

PROVISIONS

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where Poplar HARCA Limited enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, Poplar HARCA Limited treats the guarantee contract as a contingent liability until such time as it becomes probable that the Association will be required to make a payment under the guarantee.

OPERATING SEGMENTS

Where we have publically traded securities within the Group we are required to disclose information about our operating segments under IFRS 8. For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the Board. In line with the segments reported to the CODM the presentation of these financial statements and accompanied notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing from 2019 and is considered appropriate. The reporting segments include social housing which makes up the core activities, non-social housing and other. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the activities of the housing assets held by the Group. This is appropriate on the basis of the similarity of the services provide, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across the geographical location in which the Group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segments. Refer to note 2b for further disclosed information.

TURNOVER

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, revenue grant income for community regeneration, first tranche sales of shared ownership properties, open market sales, and amortisation of Social Housing Grant ("SHG") under the accrual model. Rental income is recognised according to the dates of occupation and recorded from the inception of the tenancy agreement. Service charge is recognised on the basis of estimated annual bills and miscellaneous income is recognised at the date of the service provided.

Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

Overage income is the profit on the market sales properties in excess of a predetermined amount triggered by the legal completion of sales units.

COST OF SALES

Cost of sales represents the costs including capitalised interest and direct overheads incurred in the refurbishment and development of the shared ownership properties recorded in stock, and marketing, and other incidental costs incurred in the sale of the properties.

FINANCE LEASE

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

INTEREST RECEIVABLE AND INTEREST PAYABLE

Interest payable and similar charges include interest payable, finance charges on bond classified as liabilities and finance leases recognised in income and expenditure using the effective interest method, and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of housing properties that take a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in income and expenditure as they accrue, using the effective interest method.

DIVIDEND INCOME

Dividend income is recognised in the Statement of Comprehensive Income on the date the company's right to receive payments is established.

BARTER TRANSACTIONS

Under certain development agreements, building works are carried out in exchange for disposal or sale of land. The barter transaction involves a land sale to the developer in exchange for construction works. Such barter agreements are accounted for as sales at fair value in the year of disposal.

RESERVES

The Income and expenditure reserve are the cumulative surpluses and deficits of the Group. The fair value reserve was established on transition to FRS102 on application of the deemed cost model, which allowed first time adopters to elect to measure investment property at its fair value at the date of transition and use that fair value as its deemed cost at that date.

SIGNIFICANT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant judgments

In applying the Group's accounting policies, the following judgments have been made:

- ▶ Identifying cash-generating units for the purposes of impairment testing.
- ▶ Determining which housing properties and other fixed assets meet the definition of investment properties.

ACCOUNTING ESTIMATES

The following accounting estimates have been made, which have a significant risk of causing material misstatement on the assets and liabilities within the next financial year:

▶ Housing properties

Government grants - All government grants previously allocated to land has been proportionally allocated against structure, and have been amortised against the respective useful economic life.

Component useful lives- The component useful lives are reviewed at the end of the reporting period.

► Impairment of housing properties

An impairment assessment has been carried out and in 2020 no indicator of impairment were identified.

The recoverable amount was determined to be the higher of EUV-SH (Existing Use Value – Social Housing), representing fair value less costs to sell) and depreciated replacement cost (DRC, representing value in use, given the social value of these housing properties. DRC was determined to be the estimated construction cost (excluding any additional development costs as a result of issues or problems), reduced for depreciation based on the age of the properties.

► Impairment of joint ventures

An impairment review of joint ventures is performed at each year-end. In 2020, an impairment has been recognised on the Investment in Balfron Tower Developments LLP (Refer to Note 16 – Joint ventures). In determining the recoverable amount of the investment, an estimation of sales value for the outright sales units at Balfron Tower was forecasted by three separate sales agents and an average of these were used. In terms of the expected constructions costs and finance costs, management carried out a best and worst case scenario analysis. A mid-point was used by management to estimate the projected surplus from the joint venture.

► Investment properties

Investment properties have been measured as follows:

31 March 2020 – Directors' valuation

31 March 2019 – External professional valuation

31 March 2018 – Directors' valuation

As stated in the accounting policies investment properties are held at fair value based on the valuations obtained.

► Provision for doubtful debt

At the end of each reporting period, Poplar HARCA assesses whether there is objective evidence of impairment of its debtors. All significant debtor balances are reviewed on an individual and case-by-case basis depending on the nature of the account.

► Pension schemes: Social Housing Pension Scheme and Local Government Pension Scheme

The valuation of the defined benefit pension schemes have been carried out by qualified actuaries. The cost of these benefits and the present value of the obligation depends on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumption reflect historical experience and current trends. Refer to note 8 for the valuation approach and assumptions taken in calculating the scheme asset and liability. A sensitivity analysis has been carried out in respect of the above key sources of estimation in note 8 which illustrates the impact on the total pension liability.

► Thames Water

A provision was recorded in 2016 following the Southwark case. At this time it was not known how many Poplar HARCA tenants may claim for the commission. At each year end since 2016 the provision has been re-assessed based on the time elapsed since the new Thames water agreement was signed in April 2016. This has resulted in a release of the provision each year. An assessment of the Thames Water provision has been carried out on current tenants dating back 6 years for the previous contract period between years 2000 and 2016. The provision was calculated based on a 17% commission charge, offset against an administration fee of 1.5p per day for the length of the tenancy, excluding amounts already provided for in the calculation of provision for doubtful debts. In 2019 financial year, the likelihood of settlement of these amounts has been reassessed and it has been concluded to be appropriate that the Thames water provision has been released in full.

► Former tenant unallocated receipts

An assessment of the former tenant unallocated receipts has been carried out on former tenant debt since inception of the Group. The provision has been calculated on all unallocated receipts for the last year from 31 March 2019 as it is probable and can be measured reliably. Any unallocated receipts on former tenants prior to 2018 realised in the 2019 financial year through the Statement of Comprehensive Income as it is not probable that the obligation will eventuate into an outflow of economic benefit.

TAX

Poplar HARCA is exempt from corporation tax on its charitable activities. Tax is payable on its non-charitable business activities. The tax expense comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction, or other event, that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

VALUE ADDED TAX

Poplar HARCA Ltd is registered for VAT. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on refurbishment / development works expenditure for projects that Poplar HARCA has opted to tax for VAT purposes is fully recoverable. Expenditure on these works is shown net of VAT. Poplar HARCA has an agreed Special Partial Exemption method with HM Revenue & Customs to calculate input tax.

2a. Particulars of turnover, cost of sales, operating costs and operating surplus – Group

Group	2020					2019				
	Turnover	Cost of Sales	Operating Costs	Other operating items	Operating Surplus /(Deficit)	Turnover	Cost of Sales	Operating Costs	Other operating items	Operating Surplus /(Deficit)
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Social housing lettings										
Rental accommodation	38,675	-	(33,138)	-	5,537	39,227	-	(31,460)	-	7,767
Leasehold accommodation	5,232	-	(5,096)	-	136	4,547	-	(4,641)	-	(94)
	43,907	-	(38,234)	-	5,673	43,774	-	(36,101)	-	7,673
Amortised government grants	3,031	-	-	-	3,031	2,979	-	-	-	2,979
Refurbishment administration	-	-	(3,789)	-	(3,789)	-	-	(3,653)	-	(3,653)
Refurbishment administration costs capitalised	-	-	913	-	913	-	-	938	-	938
	46,938	-	(41,110)	-	5,828	46,753	-	(38,816)	-	7,937
Other social housing activities										
Shared ownership sales – First tranche	4,600	(2,415)	-	-	2,185	1,542	(498)	-	-	1,044
Gain on disposal of fixed assets and investment property	-	-	-	15,245	15,245	-	-	-	33,936	33,936
Overage income	1,303	-	-	-	1,303	14,287	-	-	-	14,287
	5,903	(2,415)	-	15,245	18,733	15,829	(498)	-	33,936	49,267
Non-social housing activities										
Community regeneration	2,353	-	(6,685)	-	(4,332)	1,698	-	(6,038)	-	(4,340)
Garages and commercial properties	2,553	-	(1,294)	-	1,259	2,889	-	(1,303)	-	1,586
Market rent	2,648	-	(115)	-	2,533	2,646	-	(493)	-	2,153
Change in value of investment property	-	-	-	(1,970)	(1,970)	-	-	-	5,221	5,221
Other	4,905	-	(2,557)	-	2,348	5,143	-	(1,893)	-	3,250
Share of operating surplus/(loss) of joint ventures	-	-	-	1,574	1,574	-	-	-	(1,061)	(1,061)
Write down of investment in joint ventures	-	-	-	(4,745)	(4,745)	-	-	-	(4,024)	(4,024)
	12,459	-	(10,651)	(5,141)	(3,333)	12,376	-	(9,727)	136	2,785
Total on ordinary activities	65,300	(2,415)	(51,761)	10,104	21,228	74,958	(498)	(48,543)	34,072	59,989
Leaseholder works and recharges	-	-	(103)	-	(103)	-	-	149	-	149
Total	65,300	(2,415)	(51,864)	10,104	21,125	74,958	(498)	(48,394)	34,072	60,138

2a. Particulars of turnover, cost of sales, operating costs and operating surplus – Association

Association	2020					2019				
	Turnover £,000	Cost of Sales £,000	Operating Costs £,000	Other operating items £,000	Operating Surplus / (Deficit) £,000	Turnover £,000	Cost of Sales £,000	Operating Costs £,000	Other operating items £,000	Operating Surplus / (Deficit) £,000
Social housing lettings										
Rental accommodation	38,675	-	(33,138)	-	5,537	39,227	-	(31,460)	-	7,767
Leasehold accommodation	5,232	-	(5,096)	-	136	4,547	-	(4,641)	-	(94)
	43,907	-	(38,234)	-	5,673	43,774	-	(36,101)	-	7,673
Amortised government grants	3,031	-	-	-	3,031	2,979	-	-	-	2,979
Refurbishment administration	-	-	(3,789)	-	(3,789)	-	-	(3,653)	-	(3,653)
Refurbishment administration costs capitalised	-	-	913	-	913	-	-	938	-	938
Refurbishment administration recharged to Group Company	314	-	-	-	314	307	-	-	-	307
	47,252	-	(41,110)	-	6,142	47,060	-	(38,816)	-	8,244
Other social housing activities										
Shared ownership sales – First tranche	4,600	(2,415)	-	-	2,185	1,542	(498)	-	-	1,044
Gain on disposal of fixed assets and investment property	-	-	-	15,245	15,245	-	-	-	33,967	33,967
	4,600	(2,415)	-	15,245	17,430	1,542	(498)	-	33,967	35,011
Non-social housing activities										
Community regeneration	2,353	-	(6,685)	-	(4,332)	1,698	-	(6,038)	-	(4,340)
Garages and commercial properties	2,354	-	(1,197)	-	1,157	2,488	-	(1,039)	-	1,449
Market rent	2,648	-	(115)	-	2,533	2,646	-	(492)	-	2,154
Change in value of investment property	-	-	-	(1,970)	(1,970)	-	-	-	5,532	5,532
Other	4,520	-	(2,434)	-	2,086	4,769	-	(1,893)	-	2,876
	11,875	-	(10,431)	(1,970)	(526)	11,601	-	(9,462)	5,532	7,671
Total on ordinary activities	63,727	(2,415)	(51,541)	13,275	23,046	60,203	(498)	(48,278)	39,499	50,926
Leaseholder works and recharges	-	-	(103)	-	(103)	-	-	149	-	149
Total	63,727	(2,415)	(51,644)	13,275	22,943	60,203	(498)	(48,129)	39,499	51,075

2b. Particulars of income and expenditure from social housing lettings - Group

Group	General needs housing £'000	Other social housing £'000	2020 Total £'000	2019 Total £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges and void losses	34,618	-	34,618	35,123
Service income	4,057	-	4,057	4,104
Amortisation of social housing and other capital grants	3,031	-	3,031	2,979
Leasehold rents and service charges	-	5,232	5,232	4,547
Total income from social housing lettings	41,706	5,232	46,938	46,753
Expenditure on lettings				
Services	(6,584)	(1,798)	(8,382)	(6,847)
Management	(9,338)	(1,815)	(11,153)	(11,152)
Responsive maintenance	(7,500)	(1,638)	(9,138)	(9,394)
Planned maintenance	(794)	-	(794)	(482)
Rent and service charges losses from bad debts	(135)	155	20	189
Depreciation of social housing properties	(8,787)	-	(8,787)	(8,421)
Refurbishment administration net of capitalised costs	(2,876)	-	(2,876)	(2,709)
Total expenditure on social housing lettings	(36,014)	(5,096)	(41,110)	(38,816)
Operating surplus on social housing letting activities	5,692	136	5,828	7,937
Rent losses from voids.			(634)	(349)

2b. Particulars of income and expenditure from social housing lettings - Association

Association

General needs housing £'000	Other social housing £'000	2020 Total £'000	2019 Total £'000
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Turnover from social housing lettings

Rent receivable net of identifiable service charges and void losses

Service income

Amortisation of social housing and other capital grants

Leasehold rents and service charges

Total income from social housing lettings

34,932	-	34,932	35,430
4,057	-	4,057	4,104
3,031	-	3,031	2,979
-	5,232	5,232	4,547
42,020	5,232	47,252	47,060

Expenditure on lettings

Services

Management

Responsive maintenance

Planned maintenance

Rent and service charges losses from bad debts

Depreciation of social housing properties

Refurbishment administration net of capitalised costs

Total expenditure on social housing lettings

Operating surplus on social housing letting activities

(6,584)	(1,798)	(8,382)	(6,847)
(9,338)	(1,815)	(11,153)	(11,152)
(7,500)	(1,638)	(9,138)	(9,394)
(794)	-	(794)	(482)
(135)	155	20	189
(8,787)	-	(8,787)	(8,421)
(2,876)	-	(2,876)	(2,709)
(36,014)	(5,096)	(41,110)	(38,816)
6,006	136	6,142	8,244

Rent losses from voids.

(634) **(349)**

3. Housing stock

	Group	
	2020 No.	2019 No.
Social housing accommodation		
General needs housing	5,128	5,173
Affordable rent	255	158
Low-cost home ownership	185	135
Intermediate market rent	11	28
Total social housing managed	5,579	5,494
Non-social housing managed		
Leaseholders	3,601	3,562
Market rent	181	195
Non-social other	351	234
Total non-social housing managed	4,133	3,991
Total units managed	9,712	9,485
Housing units in development pipeline	820	172

The group added 188 new social units under management (2019: 58 units), 77 units were converted to non-social units which are let at Local Housing Allowance rates (2019: 96 units) in line with Mixed Income Tenure Scheme strategy, and 54 units were sold (2019: 99 units) as part of Recycling Assets Creating Opportunity strategy.

4. Surplus on ordinary activities before tax

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Is stated after charging:				
Depreciation:				
- Housing properties	9,455	9,088	9,455	9,088
Regular	8,797	8,419	8,797	8,419
Community centres	658	669	658	669
- other fixed assets	1,628	1,286	1,628	1,286
Amortisation of intangible assets	7	8	7	8
Auditor's remuneration (excluding VAT):	60	59	43	42
Audit of these financial statements	59	58	42	41
Audit Certificates	1	1	1	1
Current service charges for pension scheme	457	295	457	295
Change in value of investment property	(1,970)	5,221	(1,970)	5,532
Gain on disposal of fixed assets and investment property	15,245	33,936	15,245	33,967

5. Surplus on sale of fixed assets and other investments

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Disposal proceeds	17,355	37,025	17,355	36,665
Shared Ownership Subsequent Tranche proceeds	1,566	1,706	1,566	1,706
Cost of disposals	(3,676)	(4,795)	(3,676)	(4,404)
	15,245	33,936	15,245	33,967

Under certain development agreements, building works are carried out in exchange for disposal or sale of land. The barter transaction involves a land sale to the developer in exchange for construction works. Such barter agreements are accounted for as sales in the year of disposal; this creates a debtor balance, which is transferred to fixed assets as works are carried out. In the current year, the value of £195k (2019: £2,722k) was attributed to disposal proceeds.

6. Interest receivable and similar income

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank interest receivable	60	49	33	45
Other interest receivable	911	505	13	16
Interest received from group companies	-	-	1,035	594
	971	554	1,081	655

7. Interest payable and similar charges

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest expense and finance costs on liabilities at amortised cost	13,570	13,828	6,754	7,031
Interest payable to group companies	-	-	6,816	6,797
Interest on Disposal Proceeds Fund and Recycled Capital Grant Fund	5	22	5	22
Interest on pension scheme liabilities	254	269	254	269
Interest capitalised in fixed assets	(1,257)	(1,346)	(1,257)	(1,346)
	12,572	12,773	12,572	12,773

Interest expense on liabilities at amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

Interest charges at an average rate of 4.72% (2019: 4.74%) were capitalised into fixed assets.

8. Employee information

The average monthly number of persons employed during the period (including the Chief Executive) expressed in full time equivalents was:

	Group		Association	
	2020	2019	2020	2019
	No.	No.	No.	No.
Administration	42	46	42	46
Development	12	11	12	11
Housing, maintenance and estate services	214	246	214	246
	268	303	268	303
Community regeneration	110	79	110	79
	378	382	378	382

Full time equivalents are calculated based on a standard working week of 35 hours.

The aggregate cost of employing the above staff was:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Administration				
Wages and salaries	2,006	2,079	2,006	2,079
Social security	221	225	221	225
Pension costs	102	102	102	102
	2,329	2,406	2,329	2,406
Development				
Wages and salaries	858	743	858	743
Social security	103	90	103	90
Pension costs	58	45	58	45
	1,019	878	1,019	878
Housing				
Wages and salaries	6,931	6,866	6,931	6,866
Social security	670	655	670	655
Pension costs	328	317	328	317
	7,929	7,838	7,929	7,838
	11,277	11,122	11,277	11,122
Community regeneration				
Wages and salaries	2,981	2,758	2,981	2,758
Social security	283	262	283	262
Pension costs	144	136	144	136
	3,408	3,156	3,408	3,156
	14,685	14,278	14,685	14,278

The pension costs above do not include the Re-measurement with respect to the pension schemes.

Salary banding for all employees earning over £60,000 (including salaries, performance related pay, benefits in kind, termination payments and pension contributions paid by the employer):

	Group & Association	
	2020 No.	2019 No.
£60,000 to £70,000	10	16
£70,001 to £80,000	9	7
£80,001 to £90,000	7	6
£90,001 to £100,000	1	2
£100,001 to £110,000	0	0
£110,001 to £120,000	1	2
£120,001 to £140,000	1	1
£140,001 to £160,000	2	3
£160,001 to £180,000	4	0
£180,001 to £200,000	1	1

PENSION CONTRIBUTIONS

The Group participates in an industry-wide defined benefit scheme, the Social Housing Pension Scheme administered by the Pensions Trust and the Local Government Pension Scheme and in particular in the Fund administered by the London Pensions Fund Authority ("LPFA"). These defined benefit schemes are closed to new employees who may choose to join the Flexible Retirement Plan which is a defined contribution Money Purchase Scheme run by the Pensions Trust.

Summary of Pension Liability	2020 £'000	2019 £'000
LGPS defined benefit scheme	4,989	5,223
SHPS defined benefit scheme	2,323	5,690
Net pension liability	7,312	10,913

SOCIAL HOUSING PENSION SCHEME

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026. The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending before 31 March 2019, it had not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association had accounted for the Scheme as a defined contribution scheme.

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates using financial assumptions that comply with FRS 102 (as detailed below) and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Under the new recovery plan, from 1 April 2019 the deficit contributions that are required from the Association are £547,543 per year. These payments will increase annually by 2% from 1 April 2020 and on each 1 April thereafter until September 2026.

INITIAL RECOGNITION OF MULTI-EMPLOYER DEFINED BENEFIT SCHEME RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period from 1 April 2018 to 31 March 2019 £'000
De-recognition of Deficit funding agreement liability	3,003
Initial recognition of Net pension deficit	(4,804)
Total impact on Other Comprehensive Income	(1,801)

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	17,203	16,376
Present value of defined benefit obligation	(19,526)	(22,066)
Deficit in plan	(2,323)	(5,690)
Total defined benefit liability to be recognised	(2,323)	(5,690)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Defined benefit obligation at start of period	22,066	20,811
Current service cost	140	128
Expenses	11	10
Interest expense	515	524
Contributions by plan participants	100	86
Actuarial losses due to scheme experience	(79)	146
Actuarial losses due to changes in demographic assumptions	(190)	60
Actuarial losses due to changes in financial assumptions	(2,783)	1,472
Benefits paid and expenses	(254)	(1,171)
Total defined benefit obligation at end of period	19,526	22,066

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

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Fair value of plan assets at start of period	16,376	16,007
Interest income	388	407
Experience on plan assets (excluding amounts included in interest income) - gain	(45)	420
Contributions by the employer	638	627
Contributions by plan participants	100	86
Benefits paid and expenses	(254)	(1,171)
Total fair value of plan assets at end of period	17,203	16,376

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £343,000.

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

	Period from 31 March 2019 to 31 March 2020 £'000
Current service cost	140
Expenses	11
Net interest expense	127
Total defined benefit costs recognised in statement of comprehensive income (SoCI)	278

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – loss	(45)
Experience gains and losses arising on the plan liabilities - gain	79
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	190
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	2,783
Total actuarial gains and losses - recognised in other comprehensive income - gain	3,007

ASSETS

	31 March 2020 £'000	31 March 2019 £'000
Global Equity	2,516	2,755
Absolute Return	897	1,417
Distressed Opportunities	331	298
Credit Relative Value	472	300
Alternative Risk Premia	1,203	944
Fund of Hedge Funds	10	74
Emerging Markets Debt	521	565
Risk Sharing	581	495
Insurance-Linked Securities	528	470
Property	379	369
Infrastructure	1,280	859
Private Debt	347	220
Opportunistic Illiquid Credit	416	-
Corporate Bond Fund	981	764
Liquid Credit	7	-
Long Lease Property	298	241
Secured Income	653	586
Liability Driven Investment	5,709	5,988
Net Current Assets	74	31
Total assets	17,203	16,376

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

KEY ASSUMPTIONS

Discount Rate	
Inflation (RPI)	
Inflation (CPI)	
Salary Growth	
Allowance for commutation of pension for cash at retirement	

31 March 2020 % per annum	31 March 2019 % per annum
2.37%	2.33%
2.60%	3.28%
1.60%	2.28%
2.60%	3.28%
75% of maximum allowance	75% of maximum allowance

THE MORTALITY ASSUMPTIONS ADOPTED AT 31 MARCH 2020 IMPLY THE FOLLOWING LIFE EXPECTANCIES:

Male retiring in 2020
Female retiring in 2020
Male retiring in 2040
Female retiring in 2040

Life expectancy at age 65 (Years)
21.5
23.3
22.9
24.5

PRINCIPAL ACTUARIAL ASSUMPTIONS USED

Discount Rate Assumptions

Under Section 28 of FRS102, the discount rate used to value the defined benefit obligation is set by reference to market yields at the reporting date on high-quality corporate bonds. The currency and term of the corporate bonds must be consistent with the currency and term of the benefit obligation. The discount rates have been chosen so that when they are used to discount the projected benefit cash flows underlying a pension scheme with the equivalent duration, they would give broadly the same result as using a full AA corporate bond yield curve to discount the same cash flows. The cash flows used for this calculation are sample cash flows. The full AA corporate bond yield curve is based on Bank of America Merrill Lynch's Sterling AA corporate bond yield curve which is published up to terms of 30 years. Beyond 30 years the curve is assumed to remain constant. This methodology is consistent with the methodology adopted for previous years.

Price inflation assumptions

The assumption for price inflation impacts the liability calculation for pensions in payment whose increases are linked to inflation, along with the revaluation of deferred pensions. It is also used as the basis for setting the earnings growth assumption. Under Section 28 of FRS102, the price inflation assumption is set by considering market expectations, for example by taking

the difference between yields available on long-dated fixed-interest and index-linked gilts (known as "break-even inflation"). Adjustments to this rate are sometimes made to reflect an "inflation-risk" premium, which includes the limited supply and high demand for the gilts.

RPI

The actuary had proposed single equivalent break-even RPI inflation rates that vary with the duration of the Association's liabilities. The inflation rates have been chosen so that when they are applied to the projected benefit cash flows underlying a pension scheme with the equivalent duration, they would give broadly the same result as applying the full Bank of England inflation curve to discount the same cash flows. The cash flows used for this calculation are sample cash flows. The Bank of England inflation curve is published up to terms of 40 years. Beyond 40 years the curve is assumed to remain constant.

CPI

At present there is no indicator of market expectations of CPI inflation. However, forecasts suggest that CPI inflation is expected to be around 0.8% p.a. to 1.2% p.a. below RPI over the longer term. The assumption for CPI inflation is 1.0% p.a. below the RPI inflation assumption. This methodology is consistent with the methodology adopted for previous years.

Pension increases assumptions

Increases to pensions in payment are typically either at a fixed rate, or in line with inflation subject to certain caps and collars. The most common type of increase in payment is in line with inflation, subject to a maximum increase in any one year of 5% p.a. or 2.5% p.a. and a minimum of 0% p.a. The assumption is set by considering the likelihood of inflation being above the cap or below the collar in future years, and applying an adjustment to the relevant inflation assumption to reflect this. A statistical model for the distribution of future inflation returns has been used to determine the appropriate adjustment. Based on the relevant RPI and CPI inflation assumptions, the Black-Scholes model was used to assume expected future volatility of price inflation of 1.75% p.a. to derive the various inflation-linked pensions in payment assumptions. CARE revaluation assumptions were derived using a similar approach to that adopted to derive the increases to pensions in payment assumptions. This methodology is consistent with the methodology adopted for previous years.

Earnings increases assumptions

The earnings growth assumption is used to project accrued pensions for current active members. It is widely recognised that earnings increases in the economy are related to price inflation; hence it is common to look at the earnings growth assumption relative to the price inflation assumption (this is known as “real earnings growth”). Earnings growth could be considered by reference to RPI or CPI inflation. Earnings growth in excess of inflation should reflect best estimate long term increases for the active members of the Association and is expected to be positive over the long term as it must take into account not only inflationary increases, but also promotional increases. The default earnings growth assumption was set at 1.0% p.a. above CPI inflation. This methodology is consistent with the methodology adopted for previous years.

Life expectancy assumptions

There are various base mortality tables based on different data sets and different time periods, the most recent ones being known as the SAPS (self-administered pension schemes) tables. These standard tables are then typically adjusted to allow for any expectation of higher/lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The Trustee commissions a regular analysis of the membership profile for SHPS using Club Vita. Club Vita has collected a large amount of mortality experience data on UK defined benefit schemes and has used this to identify a number of characteristics

which distinguish whether people live shorter or longer than others using various identifiers such as gender, postcode, salary/pension and occupation. These characteristics were overlaid onto the scheme membership to identify a mortality assumption for each individual member. The results are then used to derive a scheme specific adjustment factor for SHPS based on the standard S2 SAPS table which gives broadly the same result as applying different mortality assumptions for each individual member. Allowance is then made for improvements in life expectancy since the tables were made, and for further improvements in future. The Continuous Mortality Investigation (CMI) produces annual projections for this which are now in common use. Using the same mortality improvements adopted by the Trustee for the 2018 valuations but adjusted to remove the margin for prudence i.e. CMI_2017 improvements with a 1.25% p.a. long term improvement rate for males and a 1% p.a. long-term improvement rate for females was taken. A new version of the annual projection model (CMI_2018) has been released but further consideration is required before it is adopted noting that it includes additional parameters that were not included in previous versions. Mortality rates before members retire are not expected to have a material impact on the defined benefit obligation. It has therefore been assumed that all members will survive to their assumed retirement dates. This methodology is consistent with the methodology adopted for previous years

Commutation of pension assumptions

The majority of pension scheme members typically take the maximum available cash lump sum at retirement. It is possible that schemes can be structured so that cash can be taken from a defined contribution section first, which reduces the amount of pension which is commuted from the defined benefit section. A best estimate assumption would normally be set by examining the take up from recent retirements. The assumption that 75% of members take the maximum cash available to them is based on a study commissioned by the Trustee in October 2015 into the take up rate of cash commutation at retirement. This methodology is consistent with the methodology adopted for previous years

Sensitivity Analysis

The impact of increasing/(decreasing) the inflation, earnings, life expectancy and commutation of pension *assumptions used by 0.1% p.a. would be a 2% increase/(decrease) of the net pension liability amounting to £114k.*

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

The administering authority for the Fund is the Local Pensions Partnership. The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by a number of teams within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

The LGPS provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. This scheme has been closed to new entrants. Pension scheme assets are measured using market values. The Group's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that they are recoverable) or deficit is recognised in full. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in income and expenditure.

Re-measurement of the net defined liability/asset is recognised in other comprehensive income.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

VALUATION APPROACH

To assess the value of the Group's liabilities at 31 March 2020, we have rolled forward the value of the Group's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with FRS102.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2020 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 should not introduce any material distortions in the results provided that the actual experience of the Group and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP) between genders. LGPS understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes.

4 December 2018 HM Treasury implement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. LGPS valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, LGPS have assumed that the Fund will be required to pay the entire inflationary increase. Therefore LGPS do not believe to make any adjustments to the value placed on the liabilities as a result of the above outcome.

IMPACT OF MCCLOUD/SARGEANT JUDGEMENT

LGPf have used analysis provided by Government Actuary's Department (GAD) to estimate the possible impact of the McCloud/Sargeant judgement for the Employer. The key assumption is the assumed rate of future salary increases.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a. This is equivalent to 0.4% of the Employer's total liabilities at the

accounting date (i.e. active liabilities are estimated to be 20% of the Employer's total liabilities at the accounting date).

GAD estimated the impact on the service cost to be 3.0% of payroll based on a salary increase assumption of CPI plus 1.5% p.a. This is equivalent to 3.2% of the projected service cost.

DEMOGRAPHIC/STATISTICAL ASSUMPTIONS

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables have been constructed based on the assumed life expectations from age 65 are shown in table below.

Life expectancy from age 65 (years)	31 March 2020	31 March 2020	31 March 2019
	Weighted by liability	Unweighted	Unweighted
Retiring today			
Males	21.7	21.2	20.5
Females	23.8	23.7	23.2
Retiring in 20 years			
Males	23.0	22.6	22.3
Females	25.7	25.3	25.1

The LPFA have also assumed that:

- ▶ Members will exchange half of their commutable pension for cash at retirement;
- ▶ Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- ▶ The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

FINANCIAL ASSUMPTIONS

The financial assumptions used to calculate the results are as follows:

Assumptions as at	31 March 2020 % p.a.	31 March 2019 % p.a.	31 March 2018 % p.a.
Salary increases	2.95%	3.90%	3.80%
Pension increases	1.95%	2.40%	2.30%
Discount rate	2.35%	2.40%	2.55%

These assumptions are set with reference to market conditions at 31 March 2020.

The LPFA's estimate of the Employer's past service liability duration is 19 years.

An estimate of the Group's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% p.a. (2019: 1.0% p.a.) below RPI i.e. 1.95% p.a. (2019: 2.4% p.a.). We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.0% p.a. (2019: 1.5% p.a.) above CPI in addition to a promotional scale. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

PAST SERVICE COSTS/GAINS

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

The capitalised cost of the additional benefits awarded during the year is calculated at £82,000. This figure has been included within the service cost in the statement of profit or loss. The above past service cost is an estimate of the impact of the McCloud/Sargeant judgement as set out above.

CURTAILMENTS

LPFA have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Group may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, the LPFA have only calculated the cost of curtailments which affect the Group's LGPS pension liabilities.

LPFA calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, the LPFA understand that one former employee became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on FRS102 compliant assumptions is calculated at £112,000. This figure has been included within the service cost in the statement of profit and loss.

SETTLEMENTS

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Net pension liability as at	31 March 2020 £'000	31 March 2019 £'000	31 March 2018 £'000
Present value of the defined benefit obligation	18,632	19,882	20,339
Fair value of Fund assets (bid value)	(13,643)	(14,659)	(14,344)
Net defined benefit liability (Deficit)	4,989	5,223	5,995

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

The amounts recognised in the Statement of Comprehensive Income:	2020 £'000	2019 £'000
Current Service cost	317	167
Net interest on the defined benefit liability/(asset)	127	152
Administration expenses	19	19
Total Expenditure	463	338

ASSET AND BENEFIT OBLIGATION RECONCILIATION FOR THE YEAR ENDED 31 MARCH 2020

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	2020 £'000	2019 £'000
Opening defined benefit obligation	19,882	20,339
Current service cost	123	167
Interest cost	474	506
Change in financial assumptions	(1,416)	801
Change in demographic assumptions	96	(900)
Experience gain on defined benefit obligation	(212)	-
Estimated benefits paid net of transfers in	(533)	(1,069)
Past service costs, including curtailments	194	-
Contributions by Scheme participants	24	38
Closing defined benefit obligation	18,632	19,882

LPFA allowed for the estimated impact of the recent McCloud judgement as a past service cost. LPFA have estimated the impact on the total liabilities as at 31 March 2020 to be £82,000 (or 0.4% as a percent of total liabilities).

Reconciliation of opening and closing balances of the fair value of Fund assets	2020 £'000	2019 £'000
Opening fair value of Fund assets	14,659	14,344
Interest on assets	347	354
Return on assets less interest	(402)	916
Other actuarial losses	(520)	-
Administration expenses	(19)	(19)
Contributions by employer	87	95
Contributions by Fund participants	24	38
Estimated benefits paid plus unfunded net of transfers in	(533)	(1,069)
Closing fair value of Fund assets	13,643	14,659

Asset Breakdown	2020		2019	
	£'000	%	£'000	%
Equities	7,364	54%	7,976	54%
Target Return Portfolio	3,515	26%	3,909	27%
Infrastructure	994	7%	883	6%
Property	1,354	10%	1,378	9%
Cash	416	3%	513	4%
Total	13,643	100%	14,659	100%

The total return on the fund assets for the year to 31 March 2020 is £55 k (2019: £1,270k).

Sensitivity analysis	£'000	£'000	£'000
Adjustments to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	18,305	18,632	18,965
Projected service cost	111	113	115
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	18,647	18,632	18,617
Projected service cost	113	113	113
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	18,951	18,632	18,319
Projected service cost	115	113	111
Adjustment to life expectancy assumptions	+1 year	None	-1 Year
Present value of total obligation	19,255	18,632	18,029
Projected service cost	117	113	109

For the adjustment to the life expectancy assumption, the LPFA are essentially assuming a member will live a year longer or a year less. For example, under +1 Year the LPFA assumed that a member with a 25 year life expectancy is actually expected to live for 26 years.

RE-MEASUREMENT IN OTHER COMPREHENSIVE INCOME

Re-measurement of net assets/(defined liability)	2020	2019
	£'000	£'000
Return on Fund assets in excess of interest	(402)	916
Other actuarial losses on assets	(520)	-
Change in financial assumptions	1,416	(801)
Change in demographic assumptions	(96)	900
Experience gain on defined benefit obligation	212	-
Re-measurement of the net assets/(defined liability)	610	1,015

PROJECTED PENSION EXPENSE FOR THE YEAR TO 31 MARCH 2021

Projections for the year to 31 March 2021

	2021 £'000
Service cost	113
Net interest on the defined liability and (asset)	117
Administration expenses	18
Total	248

Employer contributions

66

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2020. These projections are based on the assumptions as at 31 March 2020, as described in the main body of this report. LPFA have allowed for the estimated impact of the recent McCloud judgement on the projected service cost. LPFA have estimated the impact as a percentage of the projected service cost to be 3.2%.

Defined benefit Re-measurement in Other Comprehensive Income – Social Housing Pension Scheme and Local Government Pension Scheme

	2020 £'000	2019 £'000
Re-measurement of the net assets/(defined liability) – Social Housing Pension Scheme	3,007	(1,258)
Re-measurement of the net assets/(defined liability) – Local Government Pension Scheme	610	1,015
Total Re-measurement of the net assets/(defined liability) recognised in Other Comprehensive Income	3,617	(243)

9. Board members and executive directors

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

MEMBERS OF THE BOARD

No member of the Board is an employee of Poplar HARCA or received any emoluments during the period.

MEMBERS OF THE CORPORATE MANAGEMENT TEAM

The Corporate Management Team, including the Chief Executive, received emoluments as follows:

	2020 £'000	2019 £'000
Aggregate emoluments payable to the Corporate Management		
Salaries including bonuses	1,007	947
Employers national insurance contribution	132	124
Pension contributions	18	16
Benefit in kind	4	4
Total emoluments	1,161	1,091
Emoluments payable to the highest paid employee		
Salary including bonus	196	189
Employers national insurance contribution	26	25
Benefit in kind (car allowance)	4	4
Total emoluments	226	218

The car allowance relates to a people carrier owned by Poplar HARCA and is used in the main for conducting Poplar HARCA tours.

During the year ending March 2020, the Chief Executive was an ordinary member of the LGPS scheme. Poplar HARCA did not pay into an individual pension arrangement (including a personal pension plan) for the Chief Executive.

10. Taxation

ANALYSIS OF CHARGE IN PERIOD

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current tax				
Current tax on income for the period	556	-	-	-
Adjustments in respect of prior year	-	(83)	-	(43)
Tax charge/(credit)	556	(83)	-	(43)
Deferred tax				
Adjustment in respect of prior period	(5)	(13)	-	-
Deferred tax recognised on losses in Balfron Tower Developments LLP	(26)	(95)	-	-
	(31)	(108)	-	-
Tax on surplus on ordinary activities	525	(191)	-	(43)

The tax charge for the Group and Association is at 19% (2019: 19%), the standard rate of corporation tax in the UK as explained below.

TAX RECONCILIATION

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Surplus on ordinary activities before tax	9,524	47,919	11,452	50,183
Deficit on charitable activities	(12,488)	(38,298)	(11,464)	(50,136)
(Deficit)/surplus on non-charitable activities	(2,964)	9,621	(12)	47
Current tax at 19% (2019: 19%)	(563)	1,828	(2)	9
Effects of:				
Accounting loss/(profit) on disposal of fixed assets	-	6	-	-
Expenses not deductible for corporation tax	-	89	-	-
Adjustments in respect of prior years	-	(83)	-	(43)
Share of profit received from Aberfeldy New Village LLP	270	-	-	-
Share of accounting profit received from Aberfeldy New Village LLP	-	(49)	-	-
Deferred tax not recognised	10	-	10	-
Impairment of joint ventures	902	765	-	-
Prior year adjustment on deferred tax	(5)	(13)	-	-
Gift aid paid in year	-	(2,133)	-	-
Tax adjusted losses in Balfron Tower Developments LLP	(75)	(72)	-	-
Adjustments in respect of deferred tax rates	(6)	11	-	-
Group relief claimed	-	(540)	-	(9)
Relief for losses brought forward	(8)	-	(8)	-
Total tax charge recognised in the Statement of Comprehensive Income	525	(191)	-	(43)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Association is a registered Community Benefit Society. Surpluses generated from its charitable activities are not subject to UK corporation tax. However, tax is payable on its non-charitable business activities.

As at 31 March 2020, the group had tax losses of £1.2m allocated from LLPs in the Group. A deferred tax asset of £31k (2019:£108K) has been recognised in the Group accounts as it is expected that the future profitability of underlying LLPs is likely to be sufficient so that these losses will be utilised in subsequent years.

11. Fixed assets: Housing properties - Group

Group	Properties under construction			Properties held for lettings			Total
	Social housing lettings £'000	Low-cost home ownership £'000	Non-social housing lettings £'000	Social housing lettings £'000	Low-cost home ownership £'000	Non-social housing lettings £'000	
Cost							
At 1 April 2019	60,844	5,557	3,952	392,155	14,954	21,378	498,840
Reclassification	(11,243)	10,528	715	-	-	-	-
Acquisitions and new build	17,402	7,904	2,181	-	-	-	27,487
Capitalised repairs	-	-	-	1,258	-	-	1,258
Disposals – voluntary sales	-	-	-	(3,063)	(617)	-	(3,680)
Components written off	-	-	-	(87)	-	-	(87)
Transfer to completed housing properties	(17,156)	(3,093)	(173)	17,156	3,093	173	-
At 31 March 2020	49,847	20,896	6,675	407,419	17,430	21,551	523,818
Depreciation							
At 1 April 2019	-	-	-	79,212	846	4,307	84,365
Charge for the period	-	-	-	8,538	259	658	9,455
Disposals – voluntary sales	-	-	-	(1,265)	(35)	-	(1,300)
Components written off	-	-	-	(23)	-	-	(23)
At 31 March 2020	-	-	-	86,462	1,070	4,965	92,497
Net book value							
At 31 March 2020	49,847	20,896	6,675	320,957	16,360	16,586	431,321
At 1 April 2019	60,844	5,557	3,952	312,943	14,108	17,071	414,475

11. Fixed assets: Housing properties - Association

Association	Properties under construction			Properties held for lettings			Total
	Social housing lettings	Low-cost home ownership	Non-social housing lettings	Social housing lettings	Low-cost home ownership	Non-social housing lettings	
	£'000	£'000	£'000	£'000	£'000	£'000	
Cost							
At 1 April 2019	60,844	5,557	3,952	392,155	14,954	21,378	498,840
Reclassification	(11,243)	10,528	715	-	-	-	-
Acquisitions and new build	17,402	7,904	2,181	-	-	-	27,487
Capitalised repairs	-	-	-	1,258	-	-	1,258
Disposals – voluntary sales	-	-	-	(3,063)	(617)	-	(3,680)
Components written off	-	-	-	(87)	-	-	(87)
Transfer to completed housing properties	(17,156)	(3,093)	(173)	17,156	3,093	173	-
At 31 March 2020	49,847	20,896	6,675	407,419	17,430	21,551	523,818
Depreciation							
At 1 April 2019	-	-	-	79,212	846	4,307	84,365
Charge for the period	-	-	-	8,538	259	658	9,455
Disposals – voluntary sales	-	-	-	(1,265)	(35)	-	(1,300)
Components written off	-	-	-	(23)	-	-	(23)
At 31 March 2020	-	-	-	86,462	1,070	4,965	92,497
Net book value							
At 31 March 2020	49,847	20,896	6,675	320,957	16,360	16,586	431,321
At 1 April 2019	60,844	5,557	3,952	312,943	14,108	17,071	414,475

Included in Group's acquisitions during the year is capitalised interest of £1,257k (2019: £1,346k). The amount of cumulative interest capitalised in housing properties is not separately identifiable.

The cost of construction, or of refurbishment for stock transferred to Poplar HARCA at nil cost is shown above. Maintenance expenditure of £1,258k (2019: £869k) was capitalised during the year.

IMPAIRMENT

An annual review is undertaken of existing social housing properties and the properties currently under construction to determine if there has been any indicator of impairment in the current financial year. Where any potential indicator as defined in FRS 102.27 'Impairment of Assets' is identified, a review of the affected scheme is undertaken to determine if an impairment is required. No indicator of impairment was identified in 2020 therefore no impairment cost on housing properties was recognised for the current financial year (2019: nil).

In 2016 under the SORP, the 1% rent reduction which was announced in the July 2015 Budget was an indicator of impairment and as a result, an impairment assessment was performed for the Group's affected housing properties. Cash generating units (CGUs) were defined on a scheme level for both completed properties and properties still under construction.

In line with the SORP, the recoverable amount was determined to be the higher of EUV-SH (Existing Use Value – Social Housing), representing fair value less costs to sell) and depreciated replacement cost (DRC, representing value in use, given the social value of these housing properties. As the properties are not primarily held in order to generate a return, a conventional value in use calculation, for example discounted cash flow, would not be appropriate). DRC was determined to be the estimated construction cost (excluding any additional development costs as a result of issues or problems), reduced for depreciation based on the age of the properties.

As a result of the impairment assessment, it was concluded that no additional impairment provision was required (2019: nil).

12. Other fixed assets - Group and Association

	Office premises £'000	Furniture and equipment £'000	Computer equipment and software £'000	Vehicles and estate equipment £'000	Work-in-Progress £'000	Total £'000
Cost						
At 1 April 2019	13,004	1,419	7,925	1,210	616	24,174
Additions	280	(90)	853	137	234	1,414
Disposals	-	-	(37)	(72)	-	(109)
Transfer to completed assets	63	-	334	-	(397)	-
At 31 March 2020	13,347	1,329	9,075	1,275	453	25,479
Depreciation						
At 1 April 2019	1,752	890	5,135	1,009	-	8,786
Charge for the period	234	121	1,182	91	-	1,628
Disposals	-	-	(27)	(72)	-	(99)
At 31 March 2020	1,986	1,011	6,290	1,028	-	10,315
Net book value						
At 31 March 2020	11,361	318	2,785	247	453	15,164
At 1 April 2019	11,252	529	2,790	201	616	15,388

13. Intangible assets

	Group and Association £'000
Cost	
At 1 April 2019	493
Franchise licence fee	-
At 31 March 2020	493
Amortisation	
At 1 April 2019	24
Charge for the period	7
At 31 March 2020	31
Net book value	
At 31 March 2020	462
At 1 April 2019	469

Poplar HARCA have paid a franchise licence fee in 2016 to Ecoworld (formerly be:here Limited) to utilise the be:here brand at Aberfeldy New Village.

14. Investment in commercial properties - Group

	Group 2019		
	Completed £'000	Under Construction £'000	Total £'000
Balance at 1 April 2018 – previously reported	62,894	1	62,895
Prior period adjustment – fair value revaluation	3,914	-	3,914
Balance at 1 April 2018 – as restated	66,808	1	66,809
Disposals	(392)	-	(392)
Change in fair value	5,221	-	5,221
Balance at 31 March 2019	71,637	1	71,638
	Group 2020		
	Completed £'000	Under Construction £'000	Total £'000
Balance at 1 April 2019	71,637	1	71,638
Additions	5	-	5
Disposals	-	-	-
Change in fair value	(1,970)	-	(1,970)
Balance at 31 March 2020	69,672	1	69,673

14. Investment in commercial properties - Association

Association 2019

Completed	Under Construction	Total
£'000	£'000	£'000
57,959	-	57,959
3,914	-	3,914
61,873	-	61,873
-	-	-
5,532	-	5,532
67,405	-	67,405

Balance at 1 April 2018 – previously reported
Prior period adjustment – fair value revaluation

Balance at 1 April 2018 – as restated

Additions

Change in fair value

Balance at 31 March 2019

Association 2020

Completed	Under Construction	Total
£'000	£'000	£'000
67,405	-	67,405
-	-	-
(1,970)	-	(1,970)
65,435	-	65,435

Balance at 1 April 2019

Additions

Change in fair value

Balance at 31 March 2020

A professional valuation are undertaken every three years and a directors' valuation is carried out in the years where a professional valuation is not obtained in line with the Group's Accounting Policy.

The Directors' valuations is carried out during the year for the Container Futures, Old Poplar Library, The View Tube, Chrisp Street, Stroudley Walk, Bromley Hall and William Cotton Place.

A professional independently valuation was obtained in 2019 by SFP Property. At the reporting date the fair value was measured at £16,210k and the historical cost £7,880k.

In 2015/16, Poplar HARCA entered into a finance lease with M&G Investments Limited to carry out the construction of private and affordable residential units on the Aberfeldy estate. The private residential units are classified as investment properties. At the reporting date the fair value of the private residential units was measured at £49,225k (2019: £49,565k) representing £4,861k (2019: £5,200k) in excess to the net present value of the lease liability. The investment method (also known as capitalised rental method) was used to determine the fair value. The historical costs of investment were £44,700k (2019:£44,700k).

15. Investment in subsidiary companies

	Association	
	2020 £'000	2019 £'000
Poplar HARCA Projects Limited	9,874	9,728
Poplar HARCA Capital PLC	50	50
Poplar HARCA (Developments) Limited	8,834	8,834
	18,758	18,612

Poplar HARCA Projects Limited, a wholly owned subsidiary of Poplar HARCA, is incorporated in England and Wales with an issued, and allotted capital of two ordinary shares of £1 each. The company's principal activity is the management of overages, mixed income tenure (LHA and market rent) lettings and refurbishment of Balfon Tower. An investment of £145,567 was made in Poplar HARCA Projects Limited during the year for the Balfon Tower Project, this investment was funded in the form of capital contribution from the parent company Poplar HARCA Ltd

Poplar HARCA Capital PLC was formed on 4 April 2013 with allotted, issued and paid-up capital of 50,000 ordinary shares of £1 each with the sole purpose of raising Bond Finance for the Group.

The company issued Bonds with a value of £140 million in July 2013. All the proceeds were on lent to the parent company, Poplar HARCA.

Poplar HARCA (Developments) Limited, a wholly owned subsidiary of Poplar HARCA, is incorporated in England and Wales with an issued, and allotted capital of two ordinary shares of £1 each. The company's principal activity is the development and sale of housing and commercial properties. No investment has been made in the current year.

The subsidiaries of Poplar HARCA are all registered at the address George Green Building, 155 East India Dock Road, London, England, E14 6DA.

16. Joint ventures

The Joint ventures in which the Group has more than 20% interest in are:

Aberfeldy New Village LLP

This is a joint venture between Poplar HARCA (Developments) Limited and Be:Here Holdings Limited for the construction and development of new homes on the Aberfeldy estate. The LLP issued 1,000 shares of £1 each, 500 of which are owned by Poplar HARCA (Developments) Limited. The LLP arrangement is designed such that the land obtained by Poplar HARCA through stock transfers will be developed by Be:Here Holdings Limited, with future profits being shared equally.

Balfon Tower Developments LLP

This is a joint venture between Poplar HARCA Projects Limited and St Leonards Developments LLP for the refurbishment and sale of the Balfon Tower with future profits to be shared equally. The LLP issued 1,000 shares of £1 each, 500 of which are owned by Poplar HARCA Projects Limited.

16. Joint ventures - continued

The amounts included in respect of the Group's share of joint ventures comprise the following:

	2020		
	Aberfeldy £'000	Balfron £'000	Total £'000
Share of profit (loss) from joint ventures	1,969	(395)	1,574
Share of:			
Gross assets	15,810	25,377	41,187
Gross liabilities	(14,562)	(26,581)	(41,143)
Net assets	1,248	(1,204)	44
As at 1 April 2019	8,662	3,791	12,453
Share of profit/(loss) from joint ventures	1,969	(395)	1,574
Impairment of investment	-	(4,745)	(4,745)
Contributions made during the year	-	146	146
Distribution paid during the year	(549)	-	(549)
Investment in joint ventures	10,082	(1,203)	8,879

	2019		
	Aberfeldy £'000	Balfron £'000	Total £'000
Share of (loss) from joint ventures	(679)	(382)	(1,061)
Share of:			
Gross assets	24,960	12,233	37,193
Gross liabilities	(25,133)	(13,042)	(38,175)
Net assets	(173)	(809)	(982)
As at 1 April 2018	9,341	7,986	17,327
Share of profit/(loss) from joint ventures	(679)	(382)	(1,061)
Impairment of investment	-	(4,024)	(4,024)
Contributions made during the year	-	211	211
Investment in joint ventures	8,662	3,791	12,453

During the year, Poplar HARCA (Developments) Limited made an investment of £nil (2019: £nil) into Aberfeldy New Village LLP Phase 3 and Poplar HARCA Projects Limited invested £146k (2018: £211k) as an investment in Balfron Tower Developments LLP. These investments have been funded in the form of capital contribution from the parent company being Poplar HARCA Limited.

At each reporting date Poplar HARCA Limited assesses whether there is any indication of impairment and estimate the recoverable amount of the asset (the amount being higher of its fair value less costs to sell or its value in use). Poplar HARCA Projects Limited have recognised an impairment of £4,745k (2019: £4,024k) as a result of a decrease in profit forecast from outright sale of the units at Balfron Tower which has reduced its recoverable amount of the investment.

17. Stocks

Shared ownership completed
Shared ownership under construction
Maintenance and cleaning materials

Group		Association	
2020	2019	2020	2019
£'000	£'000	£'000	£'000
495	848	495	848
6,939	1,852	6,939	1,852
40	40	40	40
7,474	2,740	7,474	2,740

18. Debtors

Debtors falling due within one year:

Rent and service charge arrears
Less: provision for bad and doubtful debts

Other debtors and prepayments
Amounts owing from subsidiaries
Amounts owed by joint venture

Group		Association	
2020	2019	2020	2019
£'000	£'000	£'000	£'000
5,377	4,505	5,182	4,323
(2,709)	(2,854)	(2,576)	(2,854)
2,668	1,651	2,606	1,469
8,207	7,790	7,979	7,757
-	-	9,095	24,579
1,526	7,515	-	-
12,401	16,956	19,680	33,805

Debtors due after more than one year:

Amounts owing from subsidiaries
Amounts owed by joint venture

Other debtors
Deferred tax asset
Leaseholder refurbishment debtors
Less: provision for bad and doubtful debts

-	-	12,598	5,431
12,610	5,453	-	-
12,610	5,453	12,598	5,431
461	449	455	455
211	179	-	-
2,597	4,027	2,597	4,027
(641)	(538)	(641)	(538)
15,238	9,570	15,009	9,375
27,639	26,526	34,689	43,180

The housing benefit payment of £886k (2019:£nil) outstanding in relation to the financial year ending March 2020.

Included in the amounts owing from subsidiaries was a loan of £17,578 (2019: £16,444k) provided to Poplar HARCA (Developments) Limited, a wholly owned subsidiary, on an arms-length basis.

A further £801k (2019: £2,451k) was loaned to Poplar HARCA (Developments) Limited on an arms-length basis, for onward lending to Aberfeldy New Village LLP, in which it has a 50% interest.

The group also loaned £2,517 (2019: £2,139) to Poplar HARCA (Projects) Limited, a wholly owned subsidiary, on an arms-length basis. The Poplar HARCA (Project) then onward lending £2,536k (2019:£2,158kk) to Balfron Tower Developments LLP, in which it has a 50% interest.

The leaseholder refurbishment debtors are considered to be long term as they are not repayable within the next 12 months, unless leaseholders terminate their lease earlier.

A release of St Paul's Way Barter transaction of £166k (2019 £2,829k) on the completion of works resulted in a change in debtors for the year.

19. Cash and cash equivalents

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents	13,541	23,699	6,014	8,344
	13,541	23,699	6,014	8,344

20. Short term investment

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts held in escrow	6,586	6,586	6,586	6,586
	6,586	6,586	6,586	6,586

The short term investment comprises of amounts held in escrow as a security relating to our Local Government Pension Scheme pension scheme.

21. Statement of Cash Flows

	Group	
	2020 £'000	2019 £'000
Cash flow from operating activities:		
Surplus for the year	8,999	48,110
Tax on ordinary activities	525	(191)
Adjustment for non-cash items:		
Depreciation and amortisation of assets	11,090	10,385
Grant amortisation	(4,027)	(4,294)
Bad debts and release of provisions	(440)	(935)
Pension costs less contributions payable	(239)	(129)
Cost less depreciation on components written off	64	70
Write down of investment in joint venture	4,745	4,024
Change in the value of investment property	1,970	(5,221)
Share of profit from joint ventures	(1,574)	1,061
Gain on disposal of fixed assets and investment property	(15,245)	(33,936)
Net financing costs	11,601	12,219
Deferred tax	(31)	108
Adjustments for working capital movement:		
(Increase)/decrease in stocks	(4,734)	289
Decrease in trade and other debtors	536	5,440
Decrease in trade and other creditors	1,910	(2,224)
Tax Paid	-	(35)
Cash generated by operations	15,150	34,741

22. Analysis of change in net debt

	At 1 April 2019	Cash flows	Finance Lease	Other non-cash changes	At 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents					
Cash	7,199	6,342	-	-	13,541
Treasury Deposits	16,500	(16,500)	-	-	-
Total cash and cash equivalents	23,699	(10,158)	-	-	13,541
Borrowings					
Debt due with 1 year	(299)	-	(19)	-	(318)
Debt due more than 1 year	(218,500)	-	-	-	(218,500)
Finance lease	(54,993)	-	318	-	(54,675)
Total borrowings	(273,792)	-	299	-	(273,493)
Net Debt	(250,093)	(10,158)	299	-	(259,952)

23. Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	4,324	2,114	4,290	2,069
Corporation and other taxes	1,005	426	448	370
Other creditors and accruals	8,161	10,797	7,989	10,638
Current lease liability	318	299	318	299
Amount owing to subsidiaries	-	-	144	134
Grant on housing properties (<i>note 28</i>)	3,270	3,329	3,270	3,329
Disposal Proceeds Fund (<i>note 27</i>)	298	846	298	846
Recycled Capital Grant Fund (<i>note 26</i>)	-	32	-	32
	17,376	17,843	16,757	17,717

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

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Long term loans and financing costs	77,467	77,375	77,467	77,375
Bond finance and financing costs	139,473	139,452	-	-
Loan from group company	-	-	139,370	139,370
Long term lease liability	54,675	54,993	54,675	54,993
Grant on housing properties (<i>note 28</i>)	112,218	113,829	112,218	113,829
Disposal Proceeds Fund (<i>note 27</i>)	37	32	37	32
Recycled Capital Grant Fund (<i>note 26</i>)	77	49	77	49
	383,947	385,730	383,844	385,648

The Group has a total agreed facility to a value of £323.5m (2019: £323.8m) of which £273.5m (2019: £273.8m) had been drawn as at 31 March 2020. The total drawn facility includes 72% fixed loan at the average borrowing cost of 5.46%, 8% floating charge loan ranges between 125 bps to 150bps over the bank reference rate, and 20% RPI linked finance lease.

Bank loans and the bond are secured by specific charges on certain Poplar HARCA's housing properties that have a carrying amount as at 31 March 2020 of £97.1m, and the finance lease is related to the Aberfeldy Phase 2 units over the fixed term. The table below provides an analysis of the bank loans, bond and finance lease based on the repayment terms in accordance with an individual financial agreements.

The group has entered into two finance leases. Refer to note 12 and note 14 for details.

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
In one year or less	318	299	318	299
Between one and two years	331	318	331	318
Between two and five years	22,713	22,529	22,713	22,529
In more than five years	250,131	250,646	110,131	110,646
	273,493	273,792	133,493	133,792

25. Provisions for liabilities

Group and Association		
	Pension liability - SHPS £'000	Pension liability - LGPS £'000
		2020 Total £'000
At beginning of period	5,690	10,913
Release of provision	(3,367)	(3,601)
At end of period	2,323	7,312

The details of the Pension liabilities, LGPS and SHPS are shown in Note 8.

26. Recycled Capital Grant Fund

Group and Association	
	2020 £'000
	2019 £'000
At beginning of period	81
Amounts paid in from Right to Buy sales	-
Amount paid in from shared ownership sales	28
Interest accrued	-
Amount utilised for new build programme	(32)
At end of period	77
Amounts to be utilised within a year	-
Amounts that may be utilised after more than one year	77
	77

The Recycled Capital Grant Fund comprises the grant element on the disposal of shared ownership and new build properties.

27. Disposal proceeds fund

	Group and Association	
	2020 £'000	2019 £'000
At beginning of period	878	2,893
Interest accrued	5	19
Amount utilised for new build program	(548)	(2,034)
At end of period	335	878
Amounts to be utilised within a year	298	846
Amounts that may be utilised after more than one year	37	32
	335	878

The Disposal Proceeds Fund (DPF) comprises the net proceeds of right to acquire property sales less amount utilised to provide replacement housing, as explained in Note 1. Following deregulatory measures introduced by the Regulator of Social Housing on 6 April 2017, no new

proceeds from relevant property disposals will be paid into the DPF. There are no amounts where repayment may be required (2019: £nil). The Group continues to allocate the remaining funds on development schemes with the permission of the GLA.

28. Deferred Capital Grant

	Group and Association	
	2020 £'000	2019 £'000
At beginning of period	117,158	116,803
Grant received in the year	2,355	4,649
Released to income in the year	(4,025)	(4,294)
At end of period	115,488	117,158
Amounts to be utilised within a year	3,270	3,329
Amounts that may be utilised after more than one year	112,218	113,829
	115,488	117,158

29. Gift aid

The aggregate amount of gift aid comprises:

	2020 £'000	2019 £'000
Gift aid approved by written resolution by shareholder and paid during the year	-	-
Gift aid receivable approved by written resolution by the shareholder	-	11,226
	-	11,226

The aggregate amount of gift aid receivable is recognised as assets as at the year-end is £nil (2019: £11,226).

30. Financial assets and liabilities

The carrying amounts of the financial assets and financial liabilities include:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets measured at amortised cost:				
Cash and cash equivalents (<i>note 19</i>)	13,541	23,699	6,014	8,344
Short term investment (<i>note 20</i>)	6,586	6,586	6,586	6,586
Debtors (<i>note 18</i>)	27,639	26,526	34,689	43,180
	47,766	56,811	47,289	58,110
Financial liabilities measured at amortised cost:				
Trade creditors (<i>note 23</i>)	4,324	2,114	4,290	2,069
Interest payable	483	559	483	559
Loans and borrowings (<i>note 24</i>)	217,258	217,126	77,785	77,674
	222,065	219,799	82,558	80,302

31. Capital commitments

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Capital expenditure contracted less certified that has not been provided for in the Financial Statements	165,055	53,660	165,055	53,660
Capital expenditure that has been authorised by the Board but has not yet been contracted for	107,409	87,423	107,409	87,423
	272,464	141,083	272,464	141,083
Financed by:				
Social Housing Grants	42,991	16,016	42,991	16,016
Receipts from sale of assets	147,732	27,645	147,732	27,645
Unutilised loan facilities & available funds	81,741	97,422	81,741	97,422
	272,464	141,083	272,464	141,083

The Group's development pipeline as at 31 March 2020 had an estimated cost of £272m (2019: £141m) and currently spans over 11 years. The expenditure includes s106 schemes and regeneration schemes which are currently on site as well as the development schemes not yet on site. These schemes will be funded through the social housing grant, accumulated reserves and borrowings.

32. Related party transactions

Poplar HARCA Group consists of Poplar Housing and Regeneration Community Association Limited, Poplar HARCA (Developments) Limited, Poplar HARCA Projects Limited, Poplar HARCA Capital PLC, and Leaside Business Centre Management Limited.

POPLAR HARCA PROJECTS LIMITED

Poplar HARCA Projects Limited, a wholly owned subsidiary of Poplar HARCA, manages the overage income on new build schemes, including Balfron Tower Developments LLP, a Joint Venture between Poplar HARCA and St. Leonards Developments LLP, a Telford Homes Group entity. Poplar HARCA Projects Ltd leases a number of LHA rateable properties from Poplar HARCA. The rent income of from these properties are captured by Poplar Projects Ltd.

During the 2020 year a further £146k (2019: £211k) capital contribution was made to Poplar HARCA Projects with regards to costs incurred on the Balfron Tower Development. An annual impairment review resulted in an impairment charge of £4,745k (2019: £4,024k) for the year. Poplar HARCA Projects will receive a profit share on the sale of the flats once sales commence.

As at 31 March 2020 Poplar HARCA Projects owed Poplar HARCA Ltd a balance of £4,108 (2019: £13,369k). This balance is included within note 18 of these accounts. During the year, overage receipts of £1,303k from the St Paul's Way Sales and Development agreement which was triggered by the legal completion of sales units was received by Poplar HARCA, the rights of this overage income was assigned to Poplar HARCA Projects. Subsequently, a gift aid payment of £nil (2019: £11,226k) was proposed for the year ended 31 March 2020 to Poplar HARCA Limited during the year (note 27).

POPLAR HARCA CAPITAL PLC

Poplar HARCA Capital Plc, a wholly owned subsidiary of Poplar HARCA, was established as a special purpose funding vehicle and secured funding of £140 million by issuing bonds from the capital markets for on-lending to Poplar HARCA. The bonds are 30 year fixed rate with a coupon of 4.843%.

As at 31 March 2020 Poplar HARCA Capital PLC has a long-term debtor balance of £139,370k (2019: £139,370k) with parent Poplar HARCA Ltd (note 22).

As at 31 March 2020 Poplar HARCA Capital PLC has a short-term debtor balance of £144k (2019: £134k) with parent Poplar HARCA Ltd (note 21).

POPLAR HARCA (DEVELOPMENTS) LIMITED

Poplar HARCA (Developments) Limited, a wholly owned subsidiary of Poplar HARCA, was formed to develop properties for sale.

Poplar HARCA Limited has been provided a loan, to Poplar HARCA (Developments) Limited, on an arms-length basis secured by a fixed charge over the property 132 St. Paul's Way, London together with a floating charge over the assets of the company. Interest is payable on the outstanding balance at six monthly LIBOR + 1.5% for 132 St. Paul's Way and monthly at a fixed rate of 7.5% for the loan to Aberfeldy New Village LLP. The loan is repayable on demand and as at 31 March 2020 this intercompany creditor balance to Poplar HARCA is £5,667k (2019: £5,635k) and will be repaid on sale of the remaining commercial units.

As at 31 March 2020 the short-term balance of £1,526k and long-term balance of £10,074k (2019: £8,079k) is loaned to Poplar HARCA (Developments) Limited on an arms-length basis, for onward lending to Aberfeldy New Village LLP, in which Poplar HARCA (Developments) Limited has a 50% interest.

As at 31 March 2020 a £nil (2019: £nil) capital contribution was made to Poplar HARCA (Developments) Limited.

During the year Poplar HARCA (Developments) Limited received £549k (2019: £nil) as income from the joint venture.

MANAGEMENT AND ADMINISTRATION CHARGES TO SUBSIDIARIES

Poplar HARCA Limited provides management and administration services to Poplar HARCA (Developments) Limited ("DevCo") and Poplar HARCA Projects Ltd ("Projects"). The most significant element of this is staff costs as DevCo and Projects do not have their own employees. These costs are apportioned as follows:

Development	Time spent by development staff
Finance	Time allocated to schemes developed by DevCo and time allocated to schemes administered through Projects.
Central overheads	Time allocated to DevCo and Projects as per budget

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

	2020 £'000	2019 £'000
Interest charged by Poplar HARCA to DevCo	865	594
Management fees charged by Poplar HARCA to DevCo	156	149
Interest charged by Poplar HARCA to Poplar HARCA to Projects	160	-
Management fees charged by Poplar HARCA to Projects	527	450
Consultancy service charged by Poplar HARCA to Projects	2,813	2,056
Operating lease charges by Poplar HARCA to Projects	2,582	1,945
Interest charged by Capital to Poplar HARCA	6,780	6,780
	13,883	11,974

All the subsidiaries are registered in the United Kingdom but are not registered with the Regulator of Social Housing.

GEOCAPITA

GeoCapita is a Community Benefit Society registered on the Mutual's Public Register regulated by the FCA. Geocapita has financed by way of Bank loans, and a Loan from Poplar HARCA Ltd for the installation of Solar panels on roofs around the Poplar Area. This is a related party as 2 board members of Poplar HARCA Ltd are also registered Directors of Geocapita, James Reverend Olanipekun and Colin Woollard.

Poplar HARCA holds a long term debtor amount of £455k as at 31 March 2020 (2019: £455k). Poplar HARCA charged Geocapita a total of £18k (2019: £18k) in interest. Interest is charged at 4% on the long term debtor amount.

LINCOLN AREA REGENERATION GROUP

Lincoln Area Regeneration Group ("LARG") is a registered charity which provides staff resource and other regeneration based services to Poplar HARCA. LARG was a related party for part of the year, as a former Poplar HARCA employee, Asim Iftikhar, was the Company Secretary of LARG and the Service Manager of Neighbourhood Centres for Poplar HARCA until 31 December 2018. Total amount paid to LARG for services in the year was £486k (2019:£532k) with a £nil (2018:£nil) balance outstanding as at 31 March 2020.

THE BROMLEY BY BOW CENTRE

The Bromley by Bow Centre is a registered charity which runs a community and health care centre. This is a related party as the Chair of Poplar HARCA's Board, Dr. Paul Bricknell is also a registered Director of the Bromley by Bow Centre. Total amount paid to The Bromley by Bow Centre in the year was £253 as at 31 March 2020 (2019:£253k).

33. Subsequent Events

The COVID-19 pandemic has had a substantial impact on the external environment in which we operate and created additional economic uncertainty. Further consideration of the COVID-19 impact is set out in the Strategic Report on page 14 and in a going concern context within note 2 of the financial statements on page 42.

On 4 August 2020 Poplar HARCA Capital Plc executed a Forward Purchase Agreement for the sale of an additional £25 million bonds to be consolidated and form a single series with the original £140 million bonds.

It is expected that Poplar HARCA Capital Plc will issue the new bonds and the proceeds of sale will be received on 30 October 2020. The proceeds will be on-lent to Poplar HARCA.

The directors are of the opinion that the judgements taken within the financial statements as at 31 March 2020 are still the appropriate judgements at the time of signing. The directors are not aware of any further material matters or circumstances arising between 31 March 2020 and the sign off date of this report which will impact the financial statements (2019: nil).

