

RP number: 4790
Financial Conduct Authority No: 32253R
Co-operative and Community Benefit Societies Act 2014: IP032253



Derwent Community Housing Association Limited

Financial Statements

For the year ending 31 March 2022

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Derwent Community Housing Association Limited
Board of Management, Executives and Advisers
For the year ending 31 March 2022

Board of Management

R Docker (Chair) (resigned 01 May 2021)
P Goodacre (appointed 16 April 2021)
A Lomas (appointed 12 August 2022)
C Martin (appointed 16 April 2021)
R Wilshaw (appointed 15 October 2021)
D Marriott Lavery (appointed 16 April 2021, resigned 6 August 2022)
W Pretten (appointed 16 April 2021, resigned 12 August 2022)
N Finney (appointed 16 April 2021, resigned 15 October 2021)
M Rickards (resigned 20 April 2021)
R Cookson (resigned 01 May 2021)

Secretary

C Martin

Registered Office

1 Centro Place
Pride Park
Derby
DE24 8RF

Banker

Barclays Bank Plc
3 Hardman Street
Manchester
M3 3HF

Registered Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Derwent Community Housing Association Limited
Report of the Board
For the year ending 31 March 2022

Report of the Board

The board of Directors is pleased to present its report and the audited financial statements for the year ended 31 March 2022.

Nature of the Association

Derwent Community Housing Association is a Registered Provider based in Derby. As note 15 to the Financial Statements indicates, the Association has 101 social housing properties located in Derbyshire and Nottinghamshire.

Results

The Association's deficit for the year before taxation was £856 (2021: £4,404).

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

The Association's strategy is aligned to that of the parent company Places for People Group Limited, as such the Financial Viability Statement and Value for Money information appropriate to the Association can be found in the Group financial statements that can be obtained from the Group's registered office at 305 Gray's Inn Road, London, WC1X 8QR.

Review of the year

The turnover for the Association for the year ended 31 March 2022 was £455,195 (2021: £450,365). The operating profit has decreased year on year at £198,407 (2021: £230,146). The underlying operating profit, excluding sale of fixed assets has decreased by 16.6% from £237,978 to £198,407.

Customer Participation

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

Internal Control

The Group Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2022 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

Board and Committee Structure

The board of Directors of Places for People Group ("the Group") is responsible for setting strategies and budgets for the whole Group and co-ordinating the Group's activities. Places for People Group Limited exercises control over Derwent Community Housing Association Limited.

The Group board has delegated certain matters to committees of the board of Places for People Group.

Corporate Governance

The board has regard to the UKCG code when setting its corporate governance, by which it governs the organisation. In doing so the Board closely follows the principles followed by Group.

Linked to the above, the Association has adhered to these principles except for Code provisions 3, 4, 5 and 18.

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

The Group has an Audit & Risk Committee, a Remunerations & Nominations Committee, a Development Committee and a Treasury Committee. The remit of those committees extends to the Association and its business. The committees draw members from and report to the Group Board. The Group Board takes direct responsibility for oversight of the Affordable Housing business conducted through the Group's regulated subsidiaries. Group Board members are also appointed members of the board of the Association and have full oversight of the operations of the Association. This further ensures that the Association has regard to meeting the provisions of the Code.

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

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

Derwent Community Housing Association Limited
Report of the Board
For the year ending 31 March 2022

Corporate Governance (continued)

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

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

Going concern statement

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. As part of this assessment, the Board has regard to the work of the Group Board which monitors the external economic and financial environment including any continuing impact of the Covid-19 pandemic, the war in Ukraine, the cost-of-living crisis and increased energy costs. The Board is focussed on mitigating the risks for the Group and has assessed the going concern considering the above factors along with the risks included in the Group risk register.

At 31 March 2022 the Group had cash and undrawn facilities of £1.1bn. The Group continues to actively manage its cash flows in order to mitigate any reductions in income.

The directors have reviewed the projected Group cash flows covering a period of 12 months from the date of the approval of the financial statements, which indicate that the Group will be able to operate within the levels of its agreed facilities and the compliance with debt covenants. For the purposes of both Viability and Going Concern, the Directors have overlaid several severe but plausible, multi-variant scenarios. These scenarios include limited housing sales, reduction in rents collected, leisure centre closures, loss of management contracts, increase in interest rates, long term increase in inflation and the cost of meeting government sustainability targets.

As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2023 would be £600m and £360m at 31 March 2024 if the Group did not raise any additional finance to that which is currently available.

The company's net current liability position of £6,099,437 is due to short-term loans being provided by the company's parent undertaking, Derwent Housing Association Limited, to finance the company's investments. Derwent Housing Association has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there is no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe it will not do so.

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

Viability statement

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

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

In assessing the Group's prospects and resilience, the management produced projections which considered the Group's current business position and risk appetite. The projections have undergone rigorous single and multi-variate stress testing through consideration of several events, scenarios and mitigation factors, which identify the mix of extreme circumstances that could create challenging conditions for the Group, including a downturn in the housing market. These events and scenarios have been selected from an analysis of the operating environment; policy and politics; the regulatory framework; the Group risk register; and analysis of economic and financial market trends and risks. The results confirmed that the Group would continue to be able to settle projected liabilities as they fall due over a three-year period. Therefore, the Directors were satisfied that measures were in place to mitigate significant risks the Group Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the RSH. During the year, the RSH gave the Group ratings for Governance and Viability of G1 and V1 respectively.

External assurance of the Group's viability is demonstrated by the Group's credit ratings (A- (stable) with S&P Global and A3 (stable) with Moody's and A Having assessed the prospects of the Group, including the Group's current funding, forecast requirements, existing committed borrowing facilities and the principal risks as outlined on pages 3 and 4 of the Directors' Report, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2025.

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

Derwent Community Housing Association Limited
Report of the Board
For the year ending 31 March 2022

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

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

Statement of Disclosure to the Auditor

At the time of approval of this report:

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

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

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

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

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

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

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

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

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

By order of the Board



C Martin

Secretary

05 October 2022

Derwent Community Housing Association Limited
Report of the Independent Auditor
For the year ending 31 March 2022

Independent auditor's report to the members of Derwent Community Housing Association Limited

Opinion

We have audited the financial statements of Derwent Community Housing Association Limited ("the Association") for the year ended 31 March 2022 which comprise the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Reserves and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Association as at 31 March 2022 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls in particular the risk that Association management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because we do not consider there to be sufficient opportunity, possible incentives and reasonable rationale to fraudulently manipulate revenue in the financial statements when revenue is mostly recognised based on agreements.

We did not identify any additional fraud risks.

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

We also performed procedures including:

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

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

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

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

Derwent Community Housing Association Limited
Report of the Independent Auditor
For the year ending 31 March 2022

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

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

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Co-operative and Community Benefit Societies Act), taxation legislation, pension legislation and disclosures required by Housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws and certain aspects of housing legislation recognizing the financial and regulated nature of the Association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Other information

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 5, the directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.



Debra Chamberlain
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

7 October 2022

Derwent Community Housing Association Limited
Statement of Comprehensive Income
For the year ending 31 March 2022

	Notes	2022 £	2021 £
Turnover	2	455,195	450,365
Operating costs	2	(256,788)	(212,387)
Surplus/(deficit) on sale of fixed assets	4	-	(7,832)
Operating surplus		198,407	230,146
Interest receivable and similar income	5	17,147	-
Interest payable and similar charges	6	(216,410)	(234,550)
Surplus for the year and total comprehensive income		(856)	(4,404)

The notes on pages 11 to 17 form an integral part of these financial statements.

Derwent Community Housing Association Limited
Statement of Financial Position
At 31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Housing properties	7	10,957,010	11,001,840
Current assets			
Debtors: amounts falling due within one year	8	237,173	1,769,213
Cash and cash equivalents		25,000	25,000
		<u>262,173</u>	<u>1,794,213</u>
Creditors: amounts falling due within one year	9	<u>(6,361,610)</u>	<u>(7,905,920)</u>
Net current liabilities		(6,099,437)	(6,111,707)
Non-current liabilities			
Creditors: amounts falling due after more than one year	10	<u>(3,038,963)</u>	<u>(3,070,667)</u>
Net assets		<u>1,818,610</u>	<u>1,819,466</u>
Capital and reserves			
Share capital	12	5	5
Retained earnings		<u>1,818,605</u>	<u>1,819,461</u>
Total capital and reserves		<u>1,818,610</u>	<u>1,819,466</u>

The notes on pages 11 to 17 form an integral part of these financial statements.

The financial statements on pages 8 to 17 were approved by the Board on 5 October 2022, and signed on its behalf by:



A Lomas



C Martin



P Goodacre

Derwent Community Housing Association Limited
Statement of Changes in Reserves
For the year ending 31 March 2022

	Share Capital	Retained Earnings	Total Reserves
	£	£	£
Balance at 1 April 2021	5	1,819,461	1,819,466
Total comprehensive income for the year	-	(856)	(856)
Balance at 31 March 2022	<u><u>5</u></u>	<u><u>1,818,605</u></u>	<u><u>1,818,610</u></u>

The notes on pages 11 to 17 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

A summary of the principal accounting policies, which have been applied consistently, is set out below.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), the Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), the Accounting Direction for Private Registered Providers of Social Housing 2019, and with the Companies Act 2006. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator Social Housing (RSH) as a housing provider.

The Association's ultimate parent undertaking, Places for People Group Limited, includes the Association in its consolidated financial statements. The consolidated financial statements of Places for People Group Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Places for People Group Limited, 305 Gray's Inn Road, London, England, WC1X 8QR. The Association is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102.1.11 and FRS 102.1.12 (preparation of statement of a cash flows and related notes).

The financial statements are presented in Sterling (£'000s).

Going Concern

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

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Derwent Housing Association to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's immediate parent company, Derwent Housing Association not seeking repayment of the amounts currently due to the group, which at 31 March 2022 amounted to £6,329,434. Derwent Housing Association has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Significant Judgements

The following are the significant judgements, apart from those involving estimations (which are set out separately below), that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going Concern

In order to assess whether it is appropriate for the Association to be reported as a going concern, the management apply judgement, having undertaken appropriate enquiries and having considered the business activities and the principal risks and uncertainties. In arriving at this judgement there are a large number of assumptions and estimates involved in calculating future cash flow projections. This includes management's expectations of both property sales and rental turnover, operating costs, timing and quantum of future capital expenditure and estimates and cost of future funding. As a result of these considerations the financial statements have been prepared on a going concern basis.

Accounting estimates

The nature of estimation means that actual outcomes may differ from the estimates made.

Residual value of social housing properties

It is considered that the estimate of residual value of social housing properties has a significant impact on the carrying amount of social housing assets. The Association considers the residual value of social housing property structure to be cost. The net book value of completed social housing properties is £524m. The residual value of social housing property structure is £18.9m above the carrying value as at 31 March 2022.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Turnover

Turnover represents rental and service charge income receivable (net of void losses), income from the sale of properties, income from the sale of the first tranche of shared ownership properties, fees, grant amortisation and revenue grants from local authorities and Homes England, mortgage broker fees, equity loan fee income, personal loans interest and loan service delivery fees and other income.

Rental income is recognised from the point the property becomes available for letting, net of any voids. Income from land and property sales is recognised when the risks and rewards of ownership have passed to the purchaser. Long term contract revenue is recognised based on the total contract value and the stage of completion of the contract. Mortgage fee income is recognised over the term of the contract. Other income is recognised upon the delivery of services.

All turnover arises from activities within the United Kingdom.

Corporation tax

The Association is liable to United Kingdom Corporation Tax.

The charge for taxation for the year is based on the profit for the year end and includes current tax on the taxable profit for the year and deferred taxation. Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the statement of financial position date.

VAT

The majority of the Association's turnover is exempt from VAT. However, certain activities are subject to VAT and give rise to VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

Housing Properties

Housing properties are those held primarily for the provision of social benefits. Housing properties are stated at the lower of depreciated cost or its recoverable amount. Cost is taken as the purchase price together with costs of acquisition and improvements, attributable administrative costs and interest costs incurred, including related development and administrative costs and interest payable.

The Association capitalises expenditure on housing properties which results in an increase in either the existing use value of the property or the disposal value of the property.

Depreciation

Fixed assets, other than freehold land and investment properties, are depreciated at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis over the expected remaining useful economic life of the component. Freehold land is not depreciated. The estimated lives of assets and components is as shown in the table below.

Assets	Depreciation period (years)
<u>Rented housing & commercial properties:</u>	
Kitchens	20
Bathrooms	20
Boilers	15
External windows & doors	30
Roofs	45
Fire safety systems	20
Fencing	30
Digital TV aerials	10
Lifts	20
Social Alarms	From 20-40
Surveys	15
Initial and replacement scheme assets	From 1 to 5
Other elements (new build)	100-125
Other elements (rehab)	80
Other elements (leasehold)	Lesser of term of lease or 100 years
<u>Shared Ownership housing:</u>	
All elements (new build)	100
All elements (rehab)	80
All elements (leasehold)	Lesser of term of lease or 100 years
<u>Other fixed assets:</u>	
Offices (new build)	100
Offices (rehab)	80
Office refurbishment	From 10-20
Offices (long leasehold)	Lesser of term of lease or 100 years
Offices (short leasehold)	Terms of lease
Plant & Equipment	5
Cars and commercial vehicles	5
Computer hardware, software and infrastructure	From 3-15

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment

An impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in Note 2.

When undertaking impairment reviews to assess whether assets or cash generating units are held at the lower of cost, depreciated replacement cost or recoverable amount, recoverable amount is defined as its value in use. Recoverable amount is normally assessed using discounted cash flow techniques for all anticipated cash flows to generate a net present value.

Costs are assigned to all schemes on a detailed basis, including mixed tenure schemes.

The Association defines cash generating units as housing schemes except where its schemes are not sufficiently large enough in size and it is more appropriate to consider individual assets. This approach supports effective appraisal of housing schemes as it aligns with the management and operation of the business.

Social Housing Grant and Other Capital Grant

Government grants are included within creditors in the statement of financial position and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG or other grants are retained following the disposal of property, it is shown under the Disposal Proceeds and Recycled Capital Grant Funds within creditors. These funds will be used for the provision of new social housing for rent and sale and become repayable if unutilised.

2. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2022			2021
	General needs housing	Supported housing & housing for older people	Total	Total
	£	£	£	£
Income				
Rent receivable net of identifiable service charges	395,704	16,455	412,159	408,166
Service charge income	9,629	2,281	11,910	11,099
Amortised government grants	29,277	1,849	31,126	31,100
Turnover from social housing lettings	434,610	20,585	455,195	450,365
Expenditure on social housing lettings activities				
Management	(106,507)	(6,675)	(113,182)	(114,797)
Service charge costs	(10,636)	(672)	(11,308)	-
Routine maintenance	(53,436)	(275)	(53,711)	(27,635)
Planned maintenance	(2,705)	(168)	(2,873)	-
Major repairs expenditure	-	-	-	(56)
Bad debts	(4,529)	-	(4,529)	(675)
Depreciation	(66,956)	(4,229)	(71,185)	(69,224)
Operating costs on social housing lettings	(244,769)	(12,019)	(256,788)	(212,387)
Operating surplus on social housing lettings	189,841	8,566	198,407	237,978
Void Losses	3,466	-	3,466	(714)

3. OPERATING COSTS

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

4. SALE OF FIXED ASSETS

	2022			
	Sale proceeds	Cost of sales	Operating costs	Surplus
	£	£	£	£
Sale of housing assets	-	-	-	-
	-	-	-	-
	2021			
	Sale proceeds	Cost of sales	Operating costs	Surplus
	£	£	£	£
Sale of housing assets	98,000	(105,069)	(763)	(7,832)
	98,000	(105,069)	(763)	(7,832)

Derwent Community Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2022

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
On financial assets not at fair value through income and expense:		
Other interest receivable	17,147	-
	17,147	-

Interest receivable during the year relates to a refund of over paid interest payable from prior years.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2022	2021
	£	£
On financial liabilities not at fair value through income and expense:		
On loans from related undertakings	216,410	234,550
	216,410	234,550

7. HOUSING PROPERTIES

	Housing properties and land	Completed LSE & Shared Ownership housing properties	Total housing properties
	£	£	£
Cost			
At 1 April 2021	10,972,621	298,082	11,270,703
Additions	26,355	-	26,355
At 31 March 2022	10,998,976	298,082	11,297,058
Depreciation and impairment			
At 1 April 2021	(267,039)	(1,824)	(268,863)
<i>Charge for year:</i>			
Depreciation	(71,185)	-	(71,185)
At 31 March 2022	(338,224)	(1,824)	(340,048)
Net book value at 31 March 2022	10,660,752	296,258	10,957,010
Net book value at 1 April 2021	10,705,582	296,258	11,001,840

LSE denotes Leasehold Schemes for the Elderly.

	2022	2021
	£	£
Housing properties comprise:		
Freehold	11,297,058	11,270,703
	11,297,058	11,270,703

Additions to housing properties in the course of construction during the year include an apportionment of staff time directly spent on the administration of development activities amounting to £nil (2021: £nil).

Expenditure on major works to existing properties during the year was £nil (2021: £0.1m).

Derwent Community Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2022

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Amounts due from related undertakings	237,020	1,768,850
Sundry debtors, prepayments and accrued income	153	363
	<u>237,173</u>	<u>1,769,213</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Amounts owed to related undertakings	6,329,434	7,874,842
Deferred Government Grant	31,656	31,078
Other creditors and accruals	520	-
	<u>6,361,610</u>	<u>7,905,920</u>

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

	2022	2021
	£	£
Recycled Capital Grant Fund	23,184	23,184
Deferred Government Grant	3,015,779	3,047,483
	<u>3,038,963</u>	<u>3,070,667</u>

11. RECYCLED CAPITAL GRANT FUND

		Homes England	
		2022	2021
		£	£
At 1 April		23,184	-
Inputs to RCGF:	Grant recycled	-	23,184
At 31 March		<u>23,184</u>	<u>23,184</u>
Amounts 3 years old or older where repayment may be required		<u>-</u>	<u>-</u>

12. NON-EQUITY SHARE CAPITAL

	2022	2021
	£	£
Issued, allotted and fully paid ordinary shares of £1 each		
At 31 March	<u>5</u>	<u>5</u>

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

Derwent Community Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2022

13. RELATED PARTY TRANSACTIONS

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

14. ULTIMATE CONTROL

The ultimate parent undertaking and controlling party is Places for People Group Limited, a Registered Provider of Social Housing. Places for People Group Limited's consolidated financial statements can be obtained from the registered office, the address of which is 305 Gray's Inn Road, London, WC1X 8QR.

The immediate parent undertaking is Derwent Housing Association Limited, a Registered Provider of Social Housing. Derwent Housing Association Limited's consolidated financial statements can be obtained from the registered office, the address of which is 305 Gray's Inn Road, London, WC1X 8QR.

15. HOUSING STOCK

	2022	2021
	Owned and managed units	
General needs Housing	18	18
Affordable Housing	77	77
Low cost home ownership accommodation	6	6
	101	101