CHOICE HOUSING IRELAND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Registered under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969: IP000408

Registered Housing Association: R56

Registered Charity: NIC100095

CONTENTS

DIRECTORY

(Who served during the year)

BOARD OF MANGEMENT (DIRECTORS)

Mrs H Bell (Chair)	Mr J Higgins
Mr C McAreavey (Vice Chair)	Ms J Hunter OBE
Mr J Cullen (Retired September 2019)	Mr P Leonard
Mrs M Donnelly	Mr A Logan (Retired December 2019)
Ms J Donald (Appointed April 2019)	Mr K Slattery
Mrs C Gibson	Ms N Taggart
Mrs H Harrison	Mrs V Watts (Appointed April 2019)

COMPANY SECRETARY Mr L Jackson

GROUP SENIOR MANAGEMENT TEAM

Mr M McDonnell	(Group Chief Executive)
Mr M Rafferty	(Group Director of Finance & Resources)
Mr N M T Sheridan	(Group Director of Development & Assets)
Mrs C Ervine	(Group Director of Tenant & Client Services)
Mr L Jackson	(Group Director of Corporate Services)
Mr J Anderson	(Group Director of Growth)
Ms S Cosgrove	(Chief Executive Oaklee Housing)
Mr W Farrelly	(Managing Director Choice Services (Ireland) Limited)

REGISTERED OFFICE Leslie Morrell House, 37-41 May Street, Belfast BT1 4DN

BANKERS

First Trust Bank	31-35 High Street, Belfast BT1 2AL
EIB	98-100 Boulevard Konrad Adenauer, Luxembourg
Barclays Bank	Donegall Square North, Belfast BT1 5LU
Ulster Bank	Donegall Square East, Belfast BT1 5UB
Bank of Ireland	Donegall Square South, Belfast BT1 5LR
Housing Finance Corp	107 Cannon Street, London EC4N 5AF
Danske Bank	Donegall Square West, Belfast BT1 6JS
Nord LB	One Wood Street, London, EC2V 7WT
Nationwide	Kings Park Road, Northampton, NN3 6NW

EXTERNAL AUDITORS KPMG, The Soloist Building, 1 Lanyon Place, Belfast, BT1 3LP

INTERNAL AUDITORS TIAA, Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH

SOLICITORS Elliott Duffy Garrett, 40 Linenhall Street, Belfast BT2 8BA

DIRECTORY (continued)

At the date of signing these accounts the following individuals were serving on the various subsidiary boards and committees within the Group:

Oakleee Housing		Acorn Housing
K Slattery (Chair)	A Whelan	A Whelan (Chair)
D Jamieson (Vice Chair)	B McCormick	K Slattery
C McAreavey H Bell	D Owens	V Sheridan
E Breen	T Mackey	A Ceillier (Secretary)
J Buckley	V Sheridan	
R Headon	P Ward	
E Hempenstall	S Cosgrove (Secretary)	

Choice Services (Ireland) Limited	Maple And May (Homes) Limited	Maple And May Limited
P Leonard (Chair)	C McAreavey (Chair)	C McAreavey (Chair)
D Toner (Vice Chair)	P Leonard (Vice Chair)	P Leonard (Vice Chair)
H Bell	T Bogoina-Seenan (App. April 20)	T Bogoina-Seenan (App. April 20)
R Bell	H Harrison	H Harrison
J Buckley	B Kennedy	B Kennedy
T Nelson	G Millar	G Millar
L Jackson (Secretary)	L Jackson (Secretary)	L Jackson (Secretary)

Tenant & Client Services Committee	Development & Growth Committee	Finance Committee
N Taggart (Chair)	C McAreavey (Chair)	J Higgins (Chair)
C Gibson (Vice Chair)	P Leonard (Vice Chair)	L Dempsey (Vice Chair)
D Cochrane	T Begoina-Seenan (App. April 20)	H Bell
P Convery (App April 20)	H Harrison	S Corrigan
J Hunter	B Kennedy	
R Murray	G Millar	
V Watts		
C Young		
L Jackson (Secretary)	L Jackson (Secretary)	L Jackson (Secretary)

Nominations & Governance Committee	Audit & Risk Committee
H Bell (Chair)	J Higgins (Chair)
C McAreavey (Vice Chair)	C Scales (Vice Chair)
	C Browne
	E Clarke
	M Donnelly
	C Staple (App. April 20)
	D Toner
L Jackson (Secretary)	L Jackson (Secretary)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE BOARD OF MANAGEMENT, THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

The Board of Management are responsible for preparing the Report of the Board of Management, the Strategic Report and the financial statements in accordance with applicable law and regulations.

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

Under Co-operative and Community Benefit Societies law the Board of Management must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent and of the income and expenditure of the Group and Parent for that year. In preparing these financial statements, the Board of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent'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 they either intend to liquidate the Group or Parent or to cease operations or have no realistic alternative but to do so.

The Board of Management are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent and enable them to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969, Article 19 of the Housing (Northern Ireland) Order 1992, Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993, the Charities Act (Northern Ireland) 2008 and Regulation 9 of the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

On behalf of the board

Hazel Bell

Hazel Bell, Director

Ciraran McAreavey, Director

26th August 2020

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT

The Board of Management present their report and the audited financial statements of Choice Housing Ireland Limited (the "Association") and its subsidiaries (together the "Group") for the year ended the 31 March 2020.

Principal Activity

The Association is a public benefit entity administered by a Board of Management and is involved in the development and management of affordable rented accommodation.

The Association is registered under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 (No. IP000408) and is a Registered Housing Association, providing housing in Northern Ireland for people in need.

The Association is a registered charity under the Charities Act (NI) 2008 (Charity No. NIC100095).

The Group provides low cost accommodation through its two registered housing associations: Choice Housing Ireland Limited ("CHI" or "the Parent") and Oaklee Housing ("OH") in the Republic of Ireland. Additionally, its subsidiaries provide the following services:

- Maple And May Ltd ("M&M") provides accommodation in the private rented sector;
- Maple And May (Homes) Ltd ("MMH") provides affordable home ownership;
- Choice Services (Ireland) Limited ("CSL") provides maintenance services to the Group; and
- Acorn Housing ("Acorn") provides social housing in the Republic of Ireland.

Board of Management, Shareholders and Officers

The members of the Board of Management and the officers of the Association are listed on page 2.

The Board of Management is a voluntary Committee who have responsibility for the strategic direction, general policy and management of the Group. The day to day management of operations is delegated to the Group Chief Executive and the Senior Management Team.

Each member of the Board of Management other than members co-opted during the year holds one share of £1 in the Association.

Our Vision, Mission and Values

The Group's corporate plan to 2020, entitled 'Leading change and doing things differently' sets a clear vision for the organisation to make a real and lasting difference to the lives of our tenants and their communities across the island of Ireland.

Relationships grounded in our corporate values will be fundamental to the successful delivery of our objectives for the coming year. More specifically, the Group should be viewed as trustworthy, customer-centred and dynamic in everything that we do and say.

Only through effective partnerships – both within our organisation and with external stakeholders - can we leverage our significant scale and scope to address the challenges that we collectively face and exploit the opportunities to transform neighbourhoods.

Leadership within the housing association sector has never been more important. As one of the largest social enterprises on the island, the Group will draw upon the skills, experience and commitment of our people, to generate sustainable profits for our social purpose. We must be prepared and able to take risks on behalf of those in housing need.

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

We believe the following words accurately describe our corporate values:

- Trustworthy
- Customer-focused
- Dynamic

Our Business Plan 2020/21

Our Group Business Plan for 2020/21 reflects our 4 strategic goals, encompassing 'Great Homes', 'Great Services', 'Value for Money' and 'Digital Transformation'.

Our 'Headlines' for 2020/21 encompass:

- Manage the impact of Covid-19 across the Group;
- Confirm extension to EIB funding period;
- Deliver an ambitious development programme;
- Complete Victoria Housing Estates ('VHE') stock and staff transfer;
- Maintain effective management of health and safety and compliance risks;
- Implement new electronic 'purchase to payment' system and processes; and
- Comprehensively plan for relocation to Carolan Road head office.

Strategic objective 1: Great homes

- Deliver ambitious new build 'starts' and 'completions' to include substantial contribution through Competitive Design & Build;
- Build pipeline through strategic site acquisitions;
- Develop a significant mixed tenure (affordable housing) project plus further T:BUC 'Housing for All' schemes;
- Complete Options Appraisals for 2020/21 'Red Risk' Supported Housing schemes;
- Successfully complete the VHE stock & staff transfer;
- Deliver a 'modern methods of construction' ('MMC') pilot project in-year;
- Deliver a 'joint venture' project within Social Housing Development Programme ('SHDP');
- Deliver an appropriate affordable/intermediate rent scheme to 'test' this market through M&M; and
- Secure a site suitable for the 'downsizer' market segment under M&M.

Strategic objective 2: Great services

- Deliver annual planned maintenance programme to include all compliance works;
- Complete 20% stock condition surveys with external validation;
- Retain ISO 9001 accreditation for assets function;
- Renew Asset Management Strategy for 3 years to 31st March 2024;
- Renew Energy & Sustainable Development Strategy for 3 years to 31st March 2024;
- Invest in 'enhanced' energy projects and target one new build project for a higher energy standard;
- Review in-house professional services, specifically in relation to QS, Fire Engineer & Project Management roles;
- Implement outstanding actions from the review of Supporting Housing;
- Maintain 'zero tolerance' on health & safety and compliance management risks;
- Continue to improve management of Anti Social Behaviour cases;
- Implement revised approach to city centre safety management;
- Reduce voids and re-let times recognising impact of Covid-19;
- Develop a new -3-year Community Development;

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

- Strategy to encompass community engagement, including PEACE IV and T:BUC programmes;
- Extend Choice Academy to encompass roles across CHIL;
- Implement community investment strategy with social value metrics;
- Develop Employer Brand strategy & position;
- Update Diversity Strategy;
- Implement first year of new;
- Communications Strategy;
- Implement improvement actions from 2019/20 staff satisfaction survey;
- Support service needs of Group companies; and
- Implement outstanding elements of 'Active Choice'.

Strategic objective 3: Value for money

- Achieve target construction cost per square foot for SHDP projects;
- Reduce energy consumption in current offices;
- Deliver savings on energy costs through smart procurement;
- Ensure EIB loan monies are available across a longer eligibility period;
- Complete preparation for next funding round (security ''roadmap' advisers);
- Demonstrate improvement in value for money against agreed metrics;
- Complete new Procurement Strategy to 31st March 2024;
- Implement enhanced database to improve contract management;
- Implement new electronic 'purchase to payment' system and processes;
- Deliver Choice sustainable transport plan;
- Complete implementation of recommendations from Savills risk review; and
- Plan for relocation to Carolan Road.

Strategic objective 4: Digital transformation

- Deliver pilot BIM SHDP project;
- Complete comprehensive core systems review and reconfiguration;
- Support the tenant portal implementation and uptake;
- Enhance 'agile working' resources for staff;
- Retain flexible working 'gains' achieved through Covid-19; and
- Maintain group cyber security and data integrity.

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Operational performance during the year

This section describes the operational performance of the Parent during the year. Targets are set for key performance indicators and they are used in the managing of performance, and in setting the strategies for continuous improvement. Key performance indicators are also used by the Department for Communities to assess the performance of each association against its peer group and the sector in total.

Response maintenance service
The table below shows the Parent's performance in completing works orders within the target timescales:

Works order performance - % completed within target

Priority	2020	2019
Emergency (24 hrs)	94%	93%
Urgent (4 days)	93%	92%
Routine (20 days)	95%	94%

Overall works order performance at 93.8% has exceeded the 2019/20 Business Plan target of 90.0% and improved against 2018/19 out-turn which was 93.3%.

Planned maintenance programme
In 2019/2020, £11.1 million was spent by the Parent on the planned maintenance programme (2018/2019: £10 million). The most significant projects completed were fire alarm and/or communal lighting replacements, kitchen replacements, heating upgrades, lift installation and window/door replacements, warden call systems and internal re-decorating and carpeting over multiple schemes. 13 schemes went under significant remodeling and refurbishment works to alter the housing category from shared accommodation to self-contained apartments. This programme will continue in 2020/2021.

Arrears
A specialist income recovery team focuses on arrears management and performance and resources have been strengthened this year in the area of past tenant arrears. Whilst the timing and effect of Welfare Reform are still unknown, the income recovery team continue to dedicate their time to the collection of rents. The table below shows the arrears balances of the Parent after deduction of expected benefits, and the percentage of rental income.

	2020 **£'000**	2019 **£'000**
Current arrears of Parent (after deduction of expected benefits)	£1,482	£1,969
	(3.7%)	(5.2%)
Past tenant arrears	£459	£453
	(1.1%)	(1.2%)
Total arrears at year end	**£1,941**	**£2,422**
	(4.8%)	**(6.4%)**

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Voids

The proactive management of voids is regarded as a key issue. A specialist allocations team aims to improve performance in this area. Included within its terms of reference are;

- Arrangements for offers of accommodation;
- Marketing;
- External liaison with agencies;
- Financial incentives;
- Strategic approach including voids toolkit; and
- Voids audits by housing managers.

Rent loss through voids by the Parent in the financial year was £982k representing 1.9% of gross rent receivable (2018/2019: £1,161k and 2.4%). A voids working group comprising senior management representatives has been established to oversee performance improvement in this area. The number of maintenance and housing voids has slightly increased in the 2019/2020 year. In April 2019 there were 79 maintenance voids and 60 housing voids and at March 2020 there were 96 maintenance voids and 99 housing voids. The total voids at the same periods increased from 150 in April 2019 to 270 in March 2020. Due to Covid-19, limited allocations were able to take place during weeks 50, 51, 52 or 53 – the final 4 weeks of the year. At week 53 the Parent was carrying a large number of voids which were let, but tenants were unable to move/take up tenancy due to lockdown restrictions.

New developments

The numbers of homes and bed spaces of the Parent in new schemes are shown below:

	2020	2019
Units Completed	332	301
Units Started	118	399

The increase in units completed was due to several schemes being completed ahead of programme and the purchase of 11 Existing Satisfactory Purchases. The decrease in units started was a combination of delays in achieving planning permission for schemes and the inability to sign contracts due to the Covid-19 pandemic.

There was expenditure of £42.0m (2018/19: £36.6m) during the year on new developments. At 31 March 2020 there were 18 schemes "on site" comprising 557 units including 92 units at Hannahstown, Belfast, 90 units at Kilwee, Upper Dunmurry Lane, 64 units at Bishop Street, Londonderry and 53 units at Belvedere, Upper Dunmurry Lane. We completed 332 units including 51 units at Caw Close, Londonderry and 48 units at Summerhill Drive, Dunmurry.

Staff

One of the key performance indicators in relation to staff management is the percentage of working days lost through sickness absence. In 2019/20 the Parent achieved a performance of 3.9% (2018/19: 5.3%).

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Complaints

A total of 24 formal complaints were registered by tenants of the Parent during the year, compared to 53 for the previous year. A breakdown of complaints is analysed as follows:

	2020	2019
Neighbourhood disputes	6	5
Property/Maintenance	8	21
Arrears/Service Charges	1	3
Applications	4	3
Staff	1	6
Security	-	-
Other	4	15
Total	**24**	**53**

The majority of complaints were satisfactorily resolved at the first stage of the Parent's procedure. One of the 24 complaints received progressed to second stage.

Choice Services Centre

Choice Services Centre is a specialist in-house contact centre tasked with providing a responsive and accessible service to tenants. The following table shows its performance levels:

	2020	2019
Total Calls Received	130,484	126,781
Lost Calls	8.9%	5.3%
Resolved At First Contact	76.5%	76.2%
Tasks Resolved By Officer Grade Staff	90.8%	82.6%
Advisor Quality Assessment	95.3%	95.2%

Streamlined Energy and Carbon Report (SECR)

SECR (Streamlined Energy and Carbon Reporting) is a new government reporting programme that came into force on 1 April 2019. It replaced the CRC Energy Efficiency Scheme, which closed at the end of the 2018-2019 compliance year. Applicable companies are required to report on energy consumption and carbon emissions, the 19/20 SECR report for the Group is published on our website.

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Financial performance

Income and expenditure

The table below provides a summary of the Group Income and Expenditure account.

	2020 £m	2019 £m
Turnover	75.3	68.8
EBITDA[1]	25.5	20.5
Surplus for the year	11.5	8.5

Group turnover has increased by 9.4% reflecting an increase in units let and rental increases of 2%.

[1] EBITDA for the Group is calculated as follows:

	Ref	2020 £000	2019 £000
Surplus for the year	*I&E*	11,522	8,518
Depreciation through I&E	*Note 6*	16,826	15,710
Amortisation through I&E	*Note 6*	(12,989)	(12,965)
Loss on disposal of major repairs	*Note 6*	1,220	839
Tax		217	97
Interest payable	*I&E*	9,025	8,441
Interest receivable	*I&E*	(365)	(187)
Adjusted EBITDA		**25,456**	**20,453**

Assets and liabilities

The Group is in a strong financial position at the year-end, as shown by the following summary:

	2020 £m	2019 £m
Fixed assets	995.7	908.6
Net current assets/(liabilities)	14.4	(32.9)
	1,010.1	**875.7**
Non-current liabilities	887.6	765.5
Reserves	122.5	110.2
	1,010.1	**875.7**

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Total fixed assets have increased to £995.7m (2019: £908.6m) due to major expenditure on various housing schemes by Choice Housing Ireland Limited, Oaklee Housing, Acorn Housing and Maple And May Limited. There were 21 properties sold to tenants under the Statutory House Sales Scheme. Net current liabilities have reduced from £32.9m in 2019 to a net current asset position of £14.4m in 2020 due primarily to an increase in cash holding. The Group closely monitors its liquidity position in line with its prudent treasury policy and holds sufficient cash on hand to meet all near-term liabilities. At the end of July 2020, the Group had committed, but undrawn facilities of £12.0m (2019: £74.9m).

Cashflows

During the year the business generated net cash-flow from operating activities of £24.2m (2019: £17.1m) and repayment of loan capital of £40.4m (2019: £15.2m). The Group received loans of £142.1m (2019: £60.3m) which will be used to finance social housing in the coming year.

Loan covenants

External private finance is raised by the Parent and the financial covenants are in respect of the financial performance of the Parent for all loans except EIB where the covenants are in respect of the Group performance. The covenant ratios are as follows:

Ratio compliance	Requirement	Actual	Basis
Interest cover	>1.05:1	3.39 : 1	Parent
Interest cover	>1.10:1	2.92 : 1	Group
Interest cover (consecutive years)	>1.20:1	3.03 : 1	Parent
Interest cover (consecutive years)	>1.20:1	2.69 : 1	Group
Gearing	<50%	33%	Parent
Gearing	<60%	47%	Group

The Parent and Group were fully compliant with these covenants during the year, as shown below:

Interest cover	Parent		Group	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Adjusted EBITDA [2]	19,401	16,556	25,203	20,066
Net Interest	5,720	6,108	8,660	8,254
Interest Cover ratio	3.39	2.71	2.92	2.43
Minimum required	1.05	1.05	1.10	1.10

[2] Adjusted EBITDA is calculated as follows:

		Parent		Group	
		2020	2019	2020	2019
	Ref	£'000	£'000	£'000	£'000
Operating Surplus	*I&E*	15,271	13,303	20,146	16,482
Depreciation through I&E	*Note 6*	14,362	13,760	16,826	15,710
Amortisation through I&E	*Note 6*	(11,452)	(11,346)	(12,989)	(12,965)
Loss on disposal of major repairs	*Note 6*	1,220	839	1,220	839
Adjusted EBITDA		**19,401**	**16,556**	**25,203**	**20,066**

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Gearing	**Parent**		**Group**	
	2020	**2019**	**2020**	**2019**
	£m	**£m**	**£m**	**£m**
Gross debt	249	191	380	276
Reserves [3]	747	718	818	784
Gearing (%)	**33%**	**27%**	**46%**	**35%**
Maximum Allowed	**50%**	**50%**	**60%**	**60%**

[3] Parent and Group reserves are calculated by summing capital and reserves, Housing Association Grants ('HAG'), other capital grants, pension assets/liabilities and financial instruments measured at fair value.

Treasury policy and capital structure
The Group has a formal detailed treasury management policy which is approved by the Board. The policy sets out investment policies, borrowing policies, liquidity policies, interest rate management policies and treasury management procedures. The policy provides that no more than 50% of outstanding debt will be on a floating rate basis.

At the balance sheet date all drawn borrowings from EIB, Concessionary Loans, DfC and a substantial proportion from First Trust Bank are fixed rate borrowings. 75% of the borrowings from Barclays are hedged against interest rate volatility. 100% of the borrowings from Nord LB are hedged against interest rate volatility. The loan and bond with THFC are on a fixed rate basis. The majority of HFA borrowings are fixed rate borrowings.

Counterparty risk is mitigated by closely monitoring credit ratings and restricting deposits to £10m or to the corresponding level of debt with that counterparty. Revolving credit facilities are on a floating rate basis.

The Group has established and maintains strong relationships with a number of banks and financial institutions to facilitate future funding requirements and to ensure a balanced spread. At the balance sheet date, the Group had gross debt of £380m (2019: £276m), 13% (2019: 18%) of which is on a floating rate basis and cash (including cash deposit balances) of £55m (2019: £18m). This will meet current development funding requirements. The cash flow statement shows that the Group generated cash flows from operations of £24.2m (2019: £17.1m) and paid interest of £8.9m (2019: £8.7m).

Management of risk

Risk identification and assessment
As the Group's objectives are established and updated, any risks that may prevent their achievement are identified and assessed in terms of their impact on the organisation and their likelihood of occurrence. This activity is carried out at appropriate levels throughout the Group.

Major Risks
The Group are monitoring developments in relation to the Covid-19 pandemic. This virus is a worldwide pandemic and it is unclear the impact it will have on both the Northern Ireland economy and property markets. The key business risks and uncertainty affecting the Group include the potential impact on rental income caused by tenant financial distress; reduction in market value of properties and a freeze on new lettings. If Covid-19 has an ongoing adverse impact on the housing market this will put further pressure on contractors and developers. In addition, the closure of construction sites will have an immediate short-term impact on contractors' cashflow. The various government support schemes in relation to Covid-19, however, provide an important mitigant against this risk.

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

The current corporate risk register has only one risk with a 'red' residual rating, namely in relation to the first point below. Details of the other key risks with proposed mitigations are as follows:

- Statutory compliance Health and Safety ("H&S")- External contractors perform testing and maintenance work to ensure compliance with our policies and regulations and Performance reporting to Senior Management Team ("SMT") and Board.
- Regulatory compliance- Compliance with DfC reporting procedures (RSAR) etc. and Independent Internal audit function.
- Choice funding and liquidity- Treasury management policy (including liquidity policy) and detailed long-term financial projections/stress testing.
- Welfare reform- Mitigation payments currently in place plus income recovery procedures and a Welfare reform action plan for FY21.
- Reclassification- Derogation in place and DfC working towards legislative changes aimed to reverse Office for National Statistics ("ONS") decision.
- Anti-social behaviour in Schemes- Enforcement of tenancy agreements plus enhanced security provided in problem schemes and working with Tenants' Forum.

Audit

The Board of Management has established an Audit Committee with clearly defined terms of reference. The main functions of the Audit Committee are to control and review the external and internal audit functions, the internal control systems and monitor the performance of the Association against the key business indicators. The Association's internal auditors report directly to the Audit Committee on completion of each systems review and an annual summary report is produced by the internal auditors summarising the systems audit programme each year. The work of the external auditors also provides some assurance on internal controls through the year-end audit and the provision of a report to those charged with governance.

Effectiveness of control mechanisms

For those risks which are identified as being the most significant for any part of the Group, the existing control environment is assessed to establish ways in which it can be improved. Areas identified for improvement will be regularly followed up until action points are fully addressed. Where a view is formed that the Group cannot exercise adequate control over the relevant risk (for example due to external influences) then the relevant strategic objective will be revisited to establish whether or not it can be amended to reduce risk and, if not, whether the level of risk is acceptable.

The Results for the Year

The Group's surplus after tax for the year was £11.5m (2019: £8.5m).

Donations

The Group and Parent made charitable donations of £8k during the year (2019: £16k). The Group and Parent made no political donations nor incurred any political expenditure during the year (2019: nil).

Employee Involvement

The Group continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Group's performance through management channels, quarterly in-house magazines and attendance at internal seminars and training programmes.

REPORT OF THE BOARD OF MANAGEMENT AND THE STRATEGIC REPORT (continued)

Employment of Disabled People

The Group is committed to providing equal opportunities to employees. The employment of the disabled is included in this commitment and the recruitment, training, development and promotion of disabled people are based on the aptitudes and abilities of the individual. Should employees become disabled during their employment, every effort will be made to continue their employment and, if necessary, appropriate training will be provided.

Supplier Payment Policy

The Group follows the Better Payment Practice Code for all suppliers. The four principles of the code are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier (or as required by law); and to tell suppliers without delay when an invoice is contested and then settle disputes quickly.

Future Performance

The Group's future performance and financial risks will be affected by government policy, the economic environment, internal growth and efficiency initiatives. The Group has adapted its strategy to deal with the effects of Covid-19, which can be evidenced through updated business plans and stress-testing. If Covid-19 has an ongoing adverse impact on the housing market this will put further pressure on contractors and developers. The various government support schemes provide an important mitigant against this risk and therefore the Board consider the Group to have strong potential future opportunities.

Disclosure of Information to Auditors

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

Auditor

The auditors, KPMG have indicated their willingness to continue in office, and a resolution proposing their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Hazel Bell

Hazel Bell (Chair)

26 August 2020

BOARD OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROLS

The Board acknowledges that it has the ultimate responsibility for ensuring that the Group has in place a system of controls, appropriate for the various business environments in which it operates. These controls are designed to give reasonable assurance about:

- The reliability of any financial information that is published by, or is used within, the Group;
- The maintenance of proper accounting records; and
- The protection of the Group's assets against their unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable (and not absolute) assurance against material financial misstatement or loss. The key elements of these systems include ensuring that:

- There are formal policies and procedures in place (including the documentation of key systems and rules that relate to the delegation of authorities) which allow the monitoring of controls and which seek to prevent the unauthorised use of the Group's assets;
- Experienced staff, who are suitably qualified, are responsible for important business functions, and are subject to annual appraisal procedures set up to maintain high standards of performance;
- Regular management accounts are prepared promptly which provide relevant, reliable and up-to-date financial information, and significant variances from budgets are investigated as appropriate;
- All significant initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant committees that are controlled by Board members;
- The Board's Audit & Risk Committee reviews reports (from management, and from both internal and external auditors) so that it may have reasonable assurance that control procedures are in place and are being followed. These reviews include a general review of the major risks facing the Group;
- The Audit & Risk Committee makes regular reports to the Board; and
- Formal procedures have been established for instituting action needed to correct weaknesses identified in the above reports.

The Board is satisfied that there have been no material losses, contingencies or uncertainties that require disclosure in the financial statements as a result of weakness in the internal financial controls.

By order of the Board

Hazel Bell

Hazel Bell (Chair)

26 August 2020

KPMG
Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

INDEPENDENT AUDITOR'S REPORT TO CHOICE HOUSING IRELAND LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Choice Housing Ireland Limited ('the Association) for the year ended 31 March 2020 set out on pages 20 to 68, which comprise Group and Parent Income And Expenditure Accounts, the Group and Parent Statement of Other Comprehensive Income, the Group and Parent Balance Sheets, the Consolidated and Parent Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the Association as at 31 March 2020 and of the income and expenditure of the Group and the Association for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- comply with the requirements of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969; and
- have been properly prepared in accordance with the requirements of Article 19 of the Housing (Northern Ireland) Order 1992, Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993, the Charities Act (Northern Ireland) 2008 and Regulation 9 of the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

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

KPMG

INDEPENDENT AUDITOR'S REPORT TO CHOICE HOUSING IRELAND LIMITED *(continued)*

Report on the audit of the financial statements *(continued)*

We have nothing to report on going concern *(continued)*

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

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

Other information

The Association's Board of Management are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Report of the Board of Management and the Strategic Report and the Board of Management's Statement of Internal Financial Controls. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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 (Northern Ireland) 1969 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.

Under the Charities (Northern Ireland) Act 2008 and Regulation 9 of the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 we are required to report to you if, in our opinion:

- the information given in the Report of the Board of Management and the Strategic Report is inconsistent in any material respect;
- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required to complete our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO CHOICE HOUSING IRELAND LIMITED *(continued)*

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the Board of Management's responsibilities statement set out on page 4, the Association's Board of Management are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group and Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 65(2) of the Charities Act (Northern Ireland) 2008 and report in accordance with the Act and relevant regulations made or having effect thereunder. 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 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

Our report is made solely to the Association in accordance with section 43 of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969, section 65 of the Charities Act (Northern Ireland) 2008, regulations made under section 66 of that Act (Part 4 of the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 and article 19 of The Housing (Northern Ireland) Order 1992. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association as a body, for our audit work, for this report, or for the opinions we have formed.

John Poole

John Poole (Senior Statutory Auditor)
for and on behalf of
KPMG Statutory Auditor
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

3 September 2020

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	GROUP 2020 £'000	GROUP 2019 £'000	PARENT 2020 £'000	PARENT 2019 £'000
Turnover	2.1	**75,288**	68,800	**62,736**	59,813
Operating costs	2.1	**(55,142)**	(52,318)	**(47,465)**	(46,510)
Operating surplus		**20,146**	16,482	**15,271**	13,303
Gain on disposal of tangible fixed assets		**1,310**	514	**1,310**	514
Interest receivable and similar income	4	**365**	187	**721**	411
Interest payable and similar charges	5	**(9,025)**	(8,441)	**(6,441)**	(6,519)
Net finance charges relating to pension scheme	19.1	**(161)**	(105)	**(161)**	(105)
Fair value uplift in investment properties	10	**437**	634	-	141
Reversal of impairment of financial assets		**98**	-	**98**	617
Transfer to disposal proceeds fund	18	**(1,226)**	(485)	**(1,226)**	(485)
Movement in fair value of financial instruments	26.1	**(205)**	(171)	**(86)**	14
Surplus before tax		11,739	8,615	9,486	7,891
Taxation	7	**(217)**	(97)	-	-
Surplus for the year		11,522	8,518	9,486	7,891

The results relate wholly to continuing activities.

The notes on pages 26 to 68 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

		GROUP		PARENT	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Surplus for the year		**11,522**	8,518	**9,486**	7,891
Other comprehensive income					
Re-measurement of net defined benefit liability	19.1	**3,841**	(2,993)	**3,841**	(2,993)
Foreign exchange differences on translation of foreign operations		**163**	(86)	-	-
Effective portion of changes in fair value of cash flow hedges	26.1	**(3,194)**	(841)	**(1,480)**	145
Total other comprehensive income for the year		**810**	(3,920)	**2,361**	(2,848)
Total comprehensive income for the year		12,332	4,598	11,847	5,043

The notes on pages 26 to 68 form part of these financial statements.

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	GROUP 2020 £'000	GROUP 2019 £'000	PARENT 2020 £'000	PARENT 2019 £'000
Fixed assets					
Tangible fixed assets- Housing Properties	8	**972,555**	893,124	**790,465**	753,955
Other tangible fixed assets	9	**4,583**	3,112	**4,574**	3,092
Investment properties	10	**18,584**	12,357	**352**	352
Financial assets	11	**-**	-	**2,700**	2,700
		995,722	908,593	**798,091**	760,099
Current assets					
Stock	12	**935**	1,130	**15**	17
Trade and other debtors	13	**13,761**	16,344	**27,166**	27,692
Cash investments	24.1	**17,131**	1,793	**17,131**	1,793
Cash and cash equivalents		**37,843**	16,067	**32,526**	13,200
		69,670	35,334	**76,838**	42,702
Creditors: amounts falling due within one year	14	**(55,284)**	(68,253)	**(45,698)**	(55,353)
Net current assets/(liabilities)		**14,386**	(32,919)	**31,140**	(12,651)
Total assets less current liabilities		**1,010,108**	875,674	**829,231**	747,448
Creditors: amounts falling due after more than one year	15	**(884,816)**	(758,596)	**(708,446)**	(634,392)
Provisions for liabilities					
Defined benefit pension liability	19.1	**(2,751)**	(6,869)	**(2,751)**	(6,869)
Net assets		**122,541**	110,209	**118,034**	106,187
Capital and reserves					
Share capital	20	**-**	-	**-**	-
Foreign exchange translation reserve		**423**	**260**	**-**	-
Cash-flow hedge reserve		**(12,543)**	(9,349)	**(9,591)**	(8,111)
Revenue reserve		**134,661**	119,298	**127,625**	114,298
Total reserves		**122,541**	110,209	**118,034**	106,187

The Group meets the definition of a Public Benefit Entity (PBE) as defined by FRS102. These financial statements were approved by the board of directors on 26 August 2020.

Signed on behalf of the Board of Management:

Hazel Bell
Hazel Bell
Chair

Ciaran McAreavey
Board Member

The notes on pages 26 to 68 form part of these financial statements.

Registered Housing Association number: IP000408

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Revenue Reserve	Foreign Currency Translation Reserve	Cash Flow Hedge Reserve	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	113,773	346	(8,508)	105,611
Total comprehensive income for the year				
Surplus for the year	8,518	-	-	8,518
Other comprehensive income for the year				
Foreign exchange differences on translation of foreign operation	-	(86)	-	(86)
Effective portion of changes in fair value of cash flow hedges	-	-	(841)	(841)
Re-measurement of net defined benefit liability	(2,993)	-	-	(2,993)
Total comprehensive income for the year	5,525	(86)	(841)	4,598
Balance at 31 March 2019	119,298	260	(9,349)	110,209
Balance at 1 April 2019	119,298	260	(9,349)	110,209
Total comprehensive income for the year				
Surplus for the year	11,522	-	-	11,522
Other comprehensive income for the year				
Foreign exchange differences on translation of foreign operation	-	163	-	163
Effective portion of changes in fair value of cash flow hedges	-	-	(3,194)	(3,194)
Re-measurement of net defined benefit liability	3,841	-	-	3,841
Total comprehensive income for the year	**15,363**	**163**	**(3,194)**	**12,332**
Balance at 31 March 2020	**134,661**	**423**	**(12,543)**	**122,541**

The notes on pages 26 to 68 form part of these financial statements.

PARENT STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Revenue Reserve	Cash Flow Hedge Reserve	Total Equity
	£'000	£'000	£'000
Balance at 1 April 2018	109,400	(8,256)	101,144
Total comprehensive income for the year			
Surplus for the year	7,891	-	7,891
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedges	-	145	145
Re-measurement of net defined benefit liability	(2,993)	-	(2,993)
Total comprehensive income for the year	4,898	145	5,043
Balance at 31 March 2019	114,298	(8,111)	106,187
Balance at 1 April 2019	114,298	(8,111)	106,187
Total comprehensive income for the year			
Surplus for the year	9,486	-	9,486
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedges	-	(1,480)	(1,480)
Re-measurement of net defined benefit liability	3,841	-	3,841
Total comprehensive income for the year	**13,327**	**(1,480)**	**11,847**
Balance at 31 March 2020	**127,625**	**(9,591)**	**118,034**

The notes on pages 26 to 68 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Net cash from operating activities	24	**24,208**	17,056
Cash flows from investing activities			
Purchase of tangible fixed assets		**(97,303)**	(93,730)
Expenditure on investment property		**(6,074)**	(6,501)
Cash investments		**(15,338)**	(1,793)
Proceeds from sale of tangible fixed assets		**1,240**	764
Grants received		**21,554**	34,347
Interest received		**660**	187
Net cash used in investing activities		**(95,261)**	(66,726)
Cash flow from financing activities			
Interest paid		**(8,862)**	(8,663)
New secured loans		**142,089**	60,327
Repayments of borrowings		(40,465)	(15,236)
Net cash generated from financing activities		**92,762**	36,428
Net change in cash and cash equivalents		21,709	(13,242)
Cash and cash equivalents at 1 April		**16,067**	29,326
Effect of exchange rate fluctuations on cash held		**67**	(17)
Cash and cash equivalents at 31 March		37,843	16,067

The notes on pages 26 to 68 form part of these financial statements.

NOTES

(forming part of the financial statements)

1 ACCOUNTING POLICIES

1.1 Legal Status

Choice Housing Ireland Limited (the 'Association' or 'Parent') is established and registered under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and is domiciled in Northern Ireland. Its registration number is IP000408. It is registered with the Department for Communities ('DfC') as number R56. The registered office is located at 37-41 May St, Belfast, County Antrim BT1 4DN.

1.2 Basis of Accounting

These Group and Parent financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")* and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers. These financial statements comply with the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969, Article 19 of the Housing (Northern Ireland) Order 1992, the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993.

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 material items for all periods presented in these financial statements.

The Association is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Parent financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Change in accounting policy

In these financial statements the Group and Parent has changed its accounting policies in the following areas:

- Triennial Review 2017 Amendments: Section 7 Statement of Cash Flows. As a result, a net debt reconciliation has been disclosed – see note 16. In accordance with FRS 102.7.22, this reconciliation has not been presented for prior periods.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.25.

1.3 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and investment property.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Association and its subsidiary undertakings made up to 31 March 2020. A subsidiary is an entity that is controlled by the Parent undertaking. The results of subsidiary undertakings are included in the Group income and expenditure account from the date that control commences until the date that control ceases. Control is established when the Association has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercise joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the Group income and expenditure account and its interest in their net assets is recorded on the Group balance sheet using the equity method.

In the Parent undertaking financial statements, investments in subsidiaries and joint ventures are carried at cost less impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group companies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in income and expenditure.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.6 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 Group and Association prepares a 3-year business plan which is updated and approved on an annual basis. The most recent 3-year business plan (FY21-23) was approved in June 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group and Association has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.6 Going concern (continued)

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

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of £56m which provides significant headroom for committed spend and other forecast cash flows that arise;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.
- For the continuing delivery of its development programme the Parent is dependent on grant funding from the Department for Communities, and bank financing.

The Board believe the Group and Association has sufficient funding in place and expect the Group and Association to be in compliance with its debt covenants even in severe but plausible downside scenarios. In discussions with the Group and Association's bankers about its borrowing needs, there has been nothing to suggest that renewal of existing short-term facilities may not be forthcoming on acceptable terms. Further undrawn long-term facilities will meet development programme funding requirements into the foreseeable future.

Consequently, the directors have a reasonable expectation that the Group and Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.7 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.8 Basic financial instruments

Rental debtors and other debtors

Rental debtors 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.

Trade and other creditors

Trade 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 interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.9 Other financial instruments

Financial instruments not considered to be basic financial instruments (Other financial instruments).

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in income and expenditure except hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in income and expenditure. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in income and expenditure.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in income and expenditure the hedging gain or loss is reclassified to the income and expenditure.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.9 Other financial instruments (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in income and expenditure immediately.

1.10 Tangible fixed assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period. In instances where acquisition accounting is applied, the Group recognises the acquired housing assets at the Existing Use Value for Social Housing at the date of acquisition.

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of these components is capitalised and depreciated over their estimated useful life, which has been set taking into account professional guidance and the Group's asset management strategy. The related replaced asset is written off. In determining the remaining useful lives for the housing stock, the Group has taken account of views from both internal and external professional sources. The expected useful lives are reviewed on a regular basis.

Freehold and long leasehold land is not depreciated. In all other cases depreciation is provided to write off the cost of fixed assets, less their estimated residual values on a straight-line basis over the expected useful lives of the assets concerned. The estimates of the useful lives of the major classes of asset are:

Asset Category	Useful Life (Years)	Asset Category	Useful Life (Years)
Housing properties		***Other assets***	
Main fabric (new build)	**100**	The Group's office buildings	**50**
Main fabric (rehabilitated properties)	**60**	Office furniture and equipment	**3-5**
Roof structure and covering	**50**	Computer and telephone hardware	**2-5**
Windows and external doors	**40**	Computer software	**2-3**
Gas boilers/fires	**15**	Furniture in schemes	**3-5**
Kitchen	**18**	Fixtures and fittings in schemes	**3-10**
Bathrooms/WCs	**30**	Motor vehicles	**4**
Mechanical systems	**20**	Tools	**2-5**
Electrics	**30**		
Lift	**30**		
Defects insurance	**10**		

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.10 Tangible fixed assets (continued)

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Development costs

Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Such costs generally include the labour costs of our own employees arising directly from the acquisition or development of the property and incremental costs that would only have been avoided if the property concerned had not been acquired or constructed.

1.11 Government grants

Government grants are included within creditors in the Balance Sheet and credited to income and expenditure over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. The accruals model is adopted and grants are classified as grants relating to assets.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis. Grants received specifically for components of a housing property (e.g. funding for replacement of boilers) are recognised in income over the expected useful life of the component.

On disposal of an asset for which a government grant was received and where there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Balance Sheet relating to this asset is derecognised as a liability and recognised as revenue in income and expenditure.

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a liability is included in the Balance Sheet to recognise this obligation, measured at best estimate.

Property received at below market value is treated as a non-exchange transaction as described more fully in 1.21 below.

Grants and contributions receivable relating to both completed schemes and schemes being built are shown separately within debtors. Those received in advance of the related expenditure are shown separately within creditors.

Choice Housing Ireland Limited - In certain circumstances any grant or contribution may be repayable in part or in full, but any such amounts will rank as subordinated or unsecured debt on the relevant property.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.11 Government grants (continued)

Oaklee Housing - Amounts due in respect of mortgages on assets vested in the company under the Capital Loan and Subsidy Scheme and Capital Assistance Scheme ("financial assistance") are shown as liabilities in the Balance Sheet and disclosed as deferred grants income within the creditors note. The financial assistance is provided towards the costs incurred in providing rental dwellings and the provision of a service in accordance with the Capital Loan and Subsidy Scheme and Capital Assistance Scheme, over a 30-year period. The financial assistance is recognised in income and expenditure so as to match them with the expenditure towards which they are intended to contribute. They are classified as grants relating to revenue. Amounts received from local authorities in relation to the Capital Loan and Subsidy Scheme are recognised when the facility is drawn down, and amortised over a 30 year period in line with the effective interest rate method. The finance cost of the mortgage is allocated to periods over the 30-year term of the mortgage at a constant rate on the carrying amount.

The amount of the twice yearly mortgage repayment and interest charges due in respect of the borrowings advanced by the Housing Finance Agency to fund the loans paid by the local authority under the Capital Loan and Subsidy Scheme will be recouped by the Department for Communities ("the Department") to local authorities, thereby relieving the company of this charge provided that a number of service conditions are met by the company.

All subsidies provided to meet the mortgage repayment during the year are included within turnover in income and expenditure. The subsidy in relation to the notional interest charge on the financial assistance is netted off against that interest charge, with the offsetting amounts being disclosed in the notes to these financial statements. Amounts received from local authorities in relation to the Capital Assistance Scheme are recognised when the facility is drawn down, and amortised over a 30 year period in line with the effective interest rate method. The finance cost of the mortgage is allocated to periods over the 30 year term of the mortgage at a constant rate on the carrying amount.

The repayments and interest charges due from the approved housing body to the local authority may be fully waived, provided the company continues to comply with the service conditions of the scheme and the mortgage deed contract. All subsidies provided to meet the mortgage repayment during the year are included within turnover in income and expenditure. The subsidy in relation to the notional interest charge on the financial assistance is netted off against that interest charge, with the offsetting amounts being disclosed in the notes to these financial statements.

1.12 Investment property

Investment properties are properties not held for social benefit which are held together to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost. Subsequent to initial recognition, investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised in income and expenditure in the period they arise. No depreciation is provided in respect of investment properties.

1.13 Stocks - 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 estimated selling price less costs to complete. Cost comprises materials, direct labour and direct development overheads. Assessing net realisable value requires use of the 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.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.14 Impairment excluding stocks, investments and deferred tax assets

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 a financial asset measured at amortised cost is calculated as the difference between its 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 the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in Income and Expenditure Account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income and expenditure.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, and stocks, 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 housing scheme 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.

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in Income and Expenditure Account. Impairment losses recognised in respect of CGUs are allocated 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.

1.15 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which 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 income and expenditure in the periods during which services are rendered by employees.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.15 Employee benefits (continued)

Defined benefit plans

The Group participates in the Northern Ireland Local Government Officers Pension Scheme, which is a funded defined benefit scheme.

The Group takes no part in the administration of this fund. Contributions to it are in accordance with the instructions of the Trustees of the scheme, which follows actuarial advice given to them.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior year; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the Balance Sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. A valuation is performed every three years by a qualified actuary using the projected unit credit method. The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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 year are recognised in income and expenditure.

Re-measurement of the net defined benefit liability / asset is recognised in other comprehensive income in the year in which it occurs.

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 the Group 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.

1.16 Provisions

A provision is recognised in the Balance Sheet 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.

1.17 Turnover

Turnover excludes value-added tax and represents rental and service charge income receivable (net of void losses), fees receivable, and amortisation of grants. Rental income is recognised on the execution of tenancy agreements. Other income is recognised as receivable on the delivery of services provided.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.17 Turnover (continued)

Donations received under the Gift Aid scheme to the Parent, from its subsidiaries are recognised as turnover upon receipt as it relates to the principal activities of the Association and is eliminated on consolidation.

1.18 Expenses

Interest receivable and interest payable

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

(a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

(b) a fair amount of interest on borrowings of the association as a whole after deduction of Housing Association Grant (HAG) received in advance to the extent that they can be deemed to be financing the development programme.

A qualifying asset is one which necessarily takes a substantial period of time to get ready for its intended use or sale. Other interest payable is charged to income and expenditure in the year.

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.

1.19 Taxation

Certain activities of the Group are not taxable as the entities have charitable status.

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax is measured on an undiscounted basis.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.20 Properties managed by agents

Most of the Group's special needs stock is managed by agents with the relevant skills and expertise to support the tenants in these schemes. Some of these schemes receive a revenue grant, which is passed to the managing agent. Where the financial risk in these schemes falls primarily on the managing agents, the related income and expenditure arising from day-to-day operations have been excluded from these financial statements whilst the property rental income arising and related direct costs of management and maintenance are included.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.21 Non exchange transactions

Property received at below market value is treated as a non-exchange transaction. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Balance Sheet as a liability. The terms of the donation or acquisition are considered to be performance-related conditions and the grant is amortised to turnover in the year of performance of the conditions.

1.22 Disposal proceeds fund

Surpluses arising from the sale of property to tenants are transferred to the Disposal Proceeds Fund, along with any related Housing Association Grant. The net surpluses can be used by the Group to fund works on property that would not be eligible for housing association grant or (in certain circumstances) attract loan finance. If the surpluses are not used within two years of their receipt they may be payable in part or in full to the Department for Communities and the amounts potentially repayable are included within creditors.

1.23 Tenant services fund ('TSF')

Surpluses or deficits arising from a difference between tenant service and support charges and the related cost of service provision are held on the Balance Sheet as debtors or creditors, with the balance being recovered from or released to future income streams. The TSF movements are included within operating costs on the face of the income statement.

1.24 Concessionary loans

The Group has taken the public benefit entity exemptions within FRS 102 PBE 34.89 – 34.97 in respect of concessionary loans. These are loans made and received within the Group and externally at below the prevailing market rate of interest that are not repayable on demand and are for the purposes of furthering the objectives of the Group. These loans are initially measured at the amount received or paid and recognised in the Balance Sheet. In subsequent years the carrying amount of concessionary loans in the financial statements is adjusted to reflect any accrued interest payable or receivable. To the extent that a loan that has been made is irrecoverable, an impairment loss is recognised in income and expenditure.

1.25 Critical accounting estimates

The Board of Management makes estimates and assumptions concerning the future in the process of preparing the Group financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year comprise:

- Useful economic lives of housing properties- The annual depreciation on housing properties is sensitive to change in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are reviewed annually based in the expected utilisation of the assets including any components and the physical condition of assets. See note 8 for the carrying amount of housing properties and note 1.10 for the useful economic lives for each component of housing properties.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.25 Critical accounting estimates (continued)

- Impairment- As part of the Group's and Association's continuous review of the performance of their assets, management identify any homes, or schemes, that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses.
- Fair value of investment properties (note 10)- Investment property represents a significant proportion of the Group's asset base. Therefore, the judgements made in determining the estimates applied in determining their fair values affect the Group's financial position and performance. The fair value of investment property is primarily determined by independent professional qualified valuers with recent experience in the location and class of the properties being valued. Valuations are currently performed on an annual basis on the portfolio of investment properties using the open market value of existing used method.
- Defined benefit obligation- Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 19). The net defined benefit pension liability at 31 March 2020 was £2,751k.

Management have assessed that there are no judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements.

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – PARENT

	2020			2019
	Turnover	Operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing activities	62,511	(46,426)	16,085	15,015
Non-social housing activities	225	(1,039)	(814)	(1,712)
Total per income and expenditure account	62,736	(47,465)	15,271	13,303

NOTES (continued)

2.1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL HOUSING ACTIVITIES

Parent

	2020						2019
	General needs	**Sheltered**	**Supported**	**Agents**	**Admin**	**Total**	**Total**
Income from lettings:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rent	29,328	6,360	2,786	2,522	25	41,021	39,055
Rates	4,350	944	180	74	-	5,548	5,248
Services	1,599	1,519	505	28	-	3,651	3,337
Services – Heat	38	411	49	1	-	499	446
Supporting people	34	997	44	-	-	1,075	1,280
Other income	207	55	9	1	200	472	262
Amortisation of grant	8,135	987	877	1,453	-	11,452	11,346
Gross income	**43,691**	**11,273**	**4,450**	**4,079**	**225**	**63,718**	60,974
Less: voids	(519)	(277)	(171)	(15)	-	(982)	(1,161)
Net Income	**43,172**	**10,996**	**4,279**	**4,064**	**225**	**62,736**	59,813
Services	1,685	1,713	558	17	-	3,973	4,318
Heat	46	507	55	-	-	608	639
Supporting people	42	1,361	12	-	-	1,415	1,774
Management	9,557	(130)	114	78	-	9,619	8,873
Rates payable	3,939	816	141	63	-	4,959	4,843
Maintenance administration	1,401	464	200	318	-	2,383	2,114
Planned and cyclical maintenance	1,690	434	194	188		2,506	2,936
Reactive maintenance	3,596	1,179	470	561		5,806	6,023
Major repairs	525	30	15	648	-	1,218	838
Property lease charges	7	-	-	-	19	26	6
Bad debts	481	-	-	-	-	481	571
Exchange movement	-	-	-	-	(55)	(55)	36
Impairment	17	-	-	470	(69)	418	557
Depreciation – social housing	9,702	1,996	1,090	1,190	-	13,978	13,324
Depreciation – non social housing	2	-	-	-	339	341	436
Transfer to Tenants' Services Fund	(85)	(716)	(61)	11	640	(211)	(778)
Operating Costs	32,605	7,654	2,788	3,544	874	47,465	46,510
Operating Surplus/(deficit)	**10,567**	**3,342**	**1,491**	**520**	**(649)**	**15,271**	13,303

Other income includes £200k (2019: nil) of donations received under the gift aid scheme from Group entities.

NOTES (continued)

2.1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL HOUSING ACTIVITIES (Continued)

Parent	2020						2019
	General needs	Sheltered	Supported	Agents	Admin	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DfC management allowances							
Management allowances	2,683	806	297	417	-	**4,203**	4,083
Management costs	(9,557)	130	(114)	(78)	-	**(9,619)**	(12,989)
(Deficit)/surplus	(6,874)	936	183	339	-	**(5,416)**	(8,906)
DfC maintenance allowances							
Maintenance allowances	3,472	944	378	534	-	**5,328**	5,052
Planned and cyclical Maintenance	(1,987)	(687)	(301)	(192)	-	**(3,167)**	(3,647)
Reactive maintenance	(3,771)	(1,339)	(569)	(568)	-	**(6,247)**	(6,490)
Deficit	(2,286)	(1,082)	(492)	(226)	-	**(4,086)**	(5,085)

Turnover excluding other income and amortisation of grant

Parent	2020	2019
	Total	Total
	£'000	£'000
Technical	**33,822**	32,119
Non-technical	**17,068**	16,132
Total	**50,890**	48,251

Group

The addition of the turnover of Oaklee Housing, Acorn Housing, Maple And May, Maple And May (Homes) and Choice Services (Ireland) (net of consolidation adjustments) of £12,552k (2019: £8,987k) resulted in a Group turnover of £75,288k (2019: £68,800k).

The addition of the operating costs of Oaklee Housing, Acorn Housing, Maple And May, Maple And May (Homes) and Choice Services (Ireland) (net of consolidation adjustments) of £7,677k (2019: £5,808k) resulted in Group operating costs of £55,142k (2019: £52,318k).

NOTES (continued)

3 EMPLOYEES

The average number of persons employed (including the Group Senior Executives) during the year, analysed by category was:

	Group		Parent	
	2020	2019	2020	2019
	No.	No.	No.	No.
Corporate Services	**87**	84	**79**	79
Development and Growth	**35**	30	**28**	27
Housing	**168**	161	**153**	152
Maintenance	**119**	120	**66**	63
	409	395	**326**	321

The costs incurred in respect of these employees were:

	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	**10,661**	9,833	**8,200**	7,750
Social security costs	**1,032**	915	**782**	728
Other pension costs	**1,747**	1,531	**1,625**	1,445
	13,440	12,279	**10,607**	9,923

No redundancy costs were incurred during the year (2019: £Nil). Included in the above are employee costs capitalised of £2,497k (2019: £2,112k).

3.1 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Remuneration of Group Senior Executives

The remuneration paid to nine (2019: nine) Group Senior Executives (defined for the purposes of emoluments as members of the Group Senior Management Team of the Association) was as follows:

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Aggregate emoluments	**951**	986	**731**	781
Pension contributions	175	174	**152**	153
	1,126	1,160	**883**	934
The emoluments to the highest paid Director (currently included within the above table) are as follows:				
Aggregate emoluments	**156**	151	**156**	151
Pension contributions	15	15	15	15
	171	166	**171**	166
Total expenses reimbursed to the Group Senior Executives and not chargeable to income tax	**6**	6	**5**	6

NOTES (continued)

3.1 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Remuneration of Group Senior Executives by Salary Band

The numbers of Group Senior Executives whose emoluments (including pension contributions but excluding redundancy related payments) fell within the following ranges were:

Band	Group 2020 No.	Group 2019 No.	Parent 2020 No.	Parent 2019 No.
£100,001 - £105,000	-	2	-	1
£105,001 - £110,000	1	-	-	-
£110,001 - £115,000	1	1	-	1
£115,001 - £120,000	-	-	-	-
£120,001 - £125,000	2	1	2	1
£125,001 - £130,000	-	1	-	-
£130,001 - £135,000	-	1	-	1
£135,001 - £140,000	-	-	-	-
£140,001 - £145,000	-	-	-	-
£145,001 - £150,000	-	-	-	-
£150,001 - £155,000	1	2	1	2
£155,001 - £160,000	1	-	1	-
£160,001 - £165,000	1	-	1	-
£165,001 - £170,000	-	1	-	1
£170,001 - £175,000	1	-	1	-
Total	**8**	9	**6**	**7**

Those Group Senior Executives who are members of the NILGOSC Pension Scheme are on the same terms as all other members.

Remuneration of staff by Salary Band

The number of staff who received remuneration greater than £60,000 (excluding directors):

Band	Group 2020 No.	Group 2019 No.
£60,001 - £70,000	4	1
£70,001 - £80,000	2	-
£80,001 - £90,000	-	1
£90,001 - £100,000	1	1
£100,001 - £110,000	1	-
Total	**8**	**3**

NOTES (continued)

3.1 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Remuneration of Board Members - Parent

The members of the Board are not remunerated.

Total expenses (in single pounds) reimbursed to the Board Members and not chargeable to income tax are:

	2020	2019
	£	£
Ms N Taggart	**692**	747
Mrs H Bell	**706**	588
Mr J Cullen	**223**	1,556
Mr K Slattery	**1,247**	1,712
Ms M Donnelly	**29**	-
Mr C Browne	**568**	-
Mrs E Clarke	**296**	-
Mrs K Doran	**538**	-
Mr D Cochrane	**329**	

The total expenses paid to members of the Board were £4,628 for the year ended 31 March 2020 (2019: £4,603).

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest receivable from bank deposits	**365**	187	**208**	99
Interest receivable from Group companies	-	-	**513**	312
	365	187	**721**	411

The subsidy received by Oaklee Housing in relation to the notional interest charge on the financial assistance of £2,347k (2019: £2,324k) has been netted off against the notional interest charge of £2,347k (2019: £2,324k).

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest payable on financial liabilities at amortised cost	**8,864**	8,336	**6,280**	6,4114
Net interest expense on net defined benefit liabilities	**161**	105	**161**	105
	9,025	8,441	**6,441**	6,519

NOTES (continued)

6 SURPLUS ON ORDINARY ACTIVITIES

Included in income/expenditure are the following:

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Depreciation on housing and other fixed assets	**16,826**	15,710	**14,362**	13,760
Write-off of major repairs on owned tangible fixed assets	**1,220**	839	**1,220**	839
Amortisation of grants and contributions	**(12,989)**	(12,965)	**(11,452)**	(11,346)
Surplus on sale of housing assets	**(1,310)**	(514)	**(1,310)**	(514)
Change in fair value of investment property	**(437)**	(617)	-	(142)
Change in fair value of derivatives recognised in income and expenditure	**205**	172	**86**	(13)
Impairment loss / (gain) on investments	**-**	-	**-**	(617)
Reversal of impairment on financial assets	**(167)**	-	**(167)**	-
Impairment loss on schemes being built	**487**	557	**487**	557
Internal audit services	**35**	23	**35**	19
Capitalisation of own labour and overhead	**(2,497)**	(2,112)	**(2,141)**	(2,112)

	Group	
	2020	**2019**
	£'000	**£'000**
Auditor's Remuneration:		
Fees payable to the Association's auditors for the audit of the parent and Group financial statements	**98**	147
Fees payable to the Association's auditors for other services:		
- Tax compliance services	**4**	4
- Tax advisory services	**40**	29
- All other services	2	2
Total amounts payable to the Association's auditors	144	182

NOTES (continued)

7 TAXATION

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

Oaklee Housing has charitable status in the Republic of Ireland and no liability to Irish Corporation Tax arises, again to the extent that its income or gains are applied solely towards the promotion of its main charitable object as set out in its Governing Instrument.

No tax is payable in Maple And May (Homes) Limited, Acorn Housing or Choice Services (Ireland) Limited as all companies generated a tax adjusted loss for the year (2019: tax adjusted loss).

Maple And May Limited, as a subsidiary of the Association, can gift its taxable profits to the Parent under a gift aid arrangement, thereby reducing its taxable profits to £Nil. All of the taxable profits of the company must be gifted to the Parent, in cash, on or before 1 January following the accounting period end to meet this arrangement.

The tax charge of £217k in year ended 31 March 2020 (2019: £97k) relates to a deferred tax charge in Maple And May Limited.

NOTES (continued)

8 FIXED ASSETS – HOUSING PROPERTIES

Group

	Housing £'000	Schemes Being Built £'000	Total £'000
Cost			
At 31 March 2019	984,321	72,434	1,056,755
Additions	26,751	68,730	95,481
Transfers	73,215	(73,215)	-
Disposals	(5,325)	(817)	(6,142)
Foreign exchange	4,646	193	4,839
At 31 March 2020	**1,083,608**	**67,325**	**1,150,933**
Depreciation			
At 31 March 2019	(163,074)	(557)	(163,631)
Charge for the year	(16,474)	-	(16,474)
Impairment	(372)	(17)	(389)
Disposals	2,534	-	2,534
Foreign exchange	(418)	-	(418)
At 31 March 2020	**(177,804)**	**(574)**	**(178,378)**
Net Book Value			
At 31 March 2020	**905,804**	66,751	**972,555**
At 31 March 2019	821,247	71,877	893,124

The tenure for these properties at cost is:

	Freehold £'000	Long Leasehold £'000	Total £'000
At 31 March 2020	**1,006,755**	**144,178**	**1,150,933**
At 31 March 2019	925,656	131,099	1,056,755

No fixed assets are held under finance leases.

Schemes being built

The amount of borrowing costs capitalised during the period was £771k (2019: £460k) with a capitalisation rate of 8.3% (2019: 5.3%).

Included in the cost of housing properties is £1,986k (2019: £1,215k) in respect of capitalised finance costs.

Security

Bank loans and HFA loans are secured by specific charges on some of the Group's properties. See note 16.

NOTES (continued)

8 FIXED ASSETS – HOUSING PROPERTIES

Parent

	Housing	Schemes Being Built	Total
	£'000	£'000	£'000
Cost			
At 31 March 2019	839,159	65,378	904,537
Additions	11,644	42,015	53,659
Transfers	50,045	(50,045)	-
Disposals	(5,255)	-	(5,255)
At 31 March 2020	**895,593**	**57,348**	**952,941**
Depreciation			
At 31 March 2019	(150,025)	(557)	(150,582)
Charge for the year	(14,021)	-	(14,021)
Impairment	(372)	(17)	(389)
Disposals	2,516	-	2,516
At 31 March 2020	**(161,902)**	**(574)**	**(162,476)**
Net Book Value			
At 31 March 2020	**733,691**	**56,774**	**790,465**
At 31 March 2019	689,134	64,821	753,955

The tenure for these properties at cost is:

	Freehold	Long Leasehold	Total
	£'000	£'000	£'000
At 31 March 2020	**873,825**	**79,116**	**952,941**
At 31 March 2019	825,684	78,853	904,537

No fixed assets leased are held under finance leases.

Schemes being built
The amount of borrowing costs capitalised during the period was £621k (2019: £419k) with a capitalisation rate of 8.8% (2019: 6.0%).

Included in the cost of housing properties is £1,777k (2019: £1,156k) in respect of capitalised finance costs.

Security
Bank loans and HFA loans are secured by specific charges on some of the Parent's properties. See note 16.

NOTES (continued)

8 FIXED ASSETS – HOUSING PROPERTIES

Expenditure on works to existing properties

	Group 2020 £'000	Group 2019 £'000	Parent 2020 £'000	Parent 2019 £'000
Improvement works capitalised	**26,751**	37,405	**11,644**	13,848
Components capitalised	**68,730**	56,213	**42,015**	36,632
Amounts charged to income and expenditure	**11,606**	11,409	**9,414**	9,797
	107,087	105,027	**63,073**	60,277

9 OTHER TANGIBLE FIXED ASSETS

Group

	Office Land * and Buildings £'000	Vehicles £'000	Office Furniture & Equipment £'000	Computers £'000	Software £'000	Tools £'000	Total £'000
Cost							
At 31 March 2019	5,962	113	1,304	1,656	1,871	35	10,941
Additions	1,459	-	5	99	191	-	1,754
Disposals	-	(28)	-	-	-	-	(28)
At 31 March 2020	7,421	85	1,309	1,755	2,062	35	12,667
Depreciation							
At 31 March 2019	(3,207)	(112)	(1,246)	(1,465)	(1,766)	(33)	(7,829)
Impairment reversal	69	-	-	-	-	-	69
Charge for the year	(68)	-	(29)	(141)	(113)	(1)	(352)
Disposals	-	28	-	-		-	28
At 31 March 2020	(3,206)	(84)	(1,275)	(1,606)	(1,879)	(34)	(8,084)
Net book value							
At 31 March 2020	4,215	1	34	149	183	1	4,583
At 31 March 2019	2,755	1	58	191	105	2	3,112

* Office land is held freehold.

No fixed assets are held under finance leases.

NOTES (continued)

9 OTHER TANGIBLE FIXED ASSETS

Parent	Office Land* and Buildings	Vehicles	Office Furniture & Equipment	Computers	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 March 2019	5,962	109	1,289	1,640	1,871	10,871
Additions	1,459	-	5	99	191	1,754
Disposals	-	(28)	-	-	-	(28)
At 31 March 2020	7,421	**81**	1,294	1,739	2,062	12,597
Depreciation						
At 31 March 2019	(3,207)	(109)	(1,240)	(1,457)	(1,766)	(7,779)
Impairment reversal	69	-	-	-	-	69
Charge for the year	(68)	-	(23)	(137)	(113)	(341)
Disposals	-	28	-	-	-	28
At 31 March 2020	(3,206)	(81)	(1,263)	(1,594)	(1,879)	(8,023)
Net book value						
At 31 March 2020	4,146	-	**31**	**145**	**183**	4,574
At 31 March 2019	2,755	-	49	183	105	3,092

* Office land is held freehold.

No fixed assets are held under finance leases.

10 INVESTMENT PROPERTY

	Group	Parent
	£'000	£'000
At 1 April 2019	12,357	352
Additions	6,074	-
Disposals	(284)	-
Revaluation gain/(loss)	437	-
At 31 March 2020	18,584	352

Investment properties consist of domestic properties in Maple And May Limited and commercial properties in Choice Housing Ireland Limited, held for rental.

Any gain or loss arising from a change in fair value is recognised in income and expenditure. Rental income from investment property is accounted for as described in the turnover accounting policy.

NOTES (continued)

10 INVESTMENT PROPERTY (continued)

Group

The investment property fair value is predominately based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of the properties being valued. The valuation exercise for £15,972k of the properties held was performed with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by the Coronavirus pandemic with market activity impacted. The valuer has attached less weight to previous market evidence for comparison purposes, to inform opinions of value. Therefore, in arriving at their estimates of open market value as at 31 March 2020, the valuer has increasingly used their market knowledge and professional judgements and not only relied on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the open market value of investment property. The values in the external valuation report have been used by the directors to inform the valuation of property assets recognised in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the directors to assess fair value of the properties.

The directors have not obtained a valuation report as at 31 March 2020 in respect of investment property with an assessed fair value of £2,612k. The directors have assessed the fair value as at 31 March 2020.

The valuations, which are supported by previous market evidence, are prepared by considering the aggregate of the net annual rents' receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The range of yields applied for each type of property is 5.3-9.7% and a range of 12.7-13.2% for protected tenancy properties.

The historical cost of the investment properties at 31 March 2020 was £16,641,341 (2019: £10,848,970).

Company

Leslie Morrell House (a portion of the property is carried as an investment property and the remainder is used in the business): The directors have not obtained a valuation report as at 31 March 2020 in respect of this investment property with an assessed fair value of £352k. The directors have assessed the fair value as at 31 March 2020 cognisant of a valuation performed by an external, independent valuer in June 2019.

The historical cost of the investment properties at 31 March 2020 was £236k (2019: £242k).

NOTES (continued)

11 FINANCIAL ASSETS

	Group £'000	Parent £'000
Balance as at 31 March 2019 and 31 March 2020	-	**2,700**

The undertakings in which the Group and Association's interest at the year-end is more than 20% are as follows:

	Registered office	Nature of Business	Class of shares held	Ownership
Subsidiary undertakings				
Maple And May Limited	Northern Ireland	Provision of property rental and related services	Ordinary shares	100%
Oaklee Housing	Republic of Ireland	Registered Housing Association	[1]	[1]
Choice Services (Ireland) Limited	Northern Ireland	Maintenance services	Ordinary shares	100%
Maple And May (Homes) Limited	Northern Ireland	Development of affordable housing	Ordinary shares	100%
Acorn Housing	Republic of Ireland	Provision of property rental and related services	Ordinary shares	100%
Joint venture				
Comhar Facilities Management Limited	Republic of Ireland	Provision of facilities management services	A shares	99%[2]

[1] Oaklee Housing is a company limited by guarantee and without share capital. The financial statements of Oaklee Housing are consolidated in the group financial statements of the Parent because the Parent, as a member of Oaklee Housing, is entitled at a general meeting, to the number of votes which equals ten times the number of votes of all other members on matters of financial outlay. This entitlement applies only as long as there are amounts owing to Choice Housing Ireland Limited.

[2] Comhar Facilities Management Limited is accounted for as a Joint Venture within the Group financial statements; carried at cost plus a share of the profit and loss. The investment at 31 March 2020 was £172 (2019: £172) and the share of profits or losses in 2020 was £nil (2019: £nil).

12 STOCK

	Group		Parent	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Work-in-progress	**812**	1,042	-	-
Stock – materials	**108**	71	-	-
Fuel	15	17	15	17
	935	1,130	15	17

Work in progress recognised in operating costs in the year amounted to £491k (2019: £Nil).

The amount of borrowing costs capitalised during the period was £621k (2019: £419k) with a capitalisation rate of 3.1% (2019: 3.5 %).

NOTES (continued)

13 DEBTORS

	Group		Parent	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Rental debtors gross – technical	**1,939**	1,270	**1,939**	1,270
Rental debtors gross – non-technical	**2,178**	2,603	**1,941**	2,422
Less provision for bad and doubtful debts	**(1,803)**	(1,716)	**(1,696)**	(1,627)
Net Rental Debtors	**2,314**	2,157	**2,184**	2,065
Housing asset grant receivable	**2,340**	8,726	**2,156**	8,677
Tenant Services Fund	**168**	83	**168**	83
Other debtors	**6,713**	3,298	**2,023**	1,744
Amounts due from group undertakings	-	-	**20,069**	14,236
Amounts due from joint venture	**181**	184	-	184
Prepayments and accrued income	**2,045**	1,896	**566**	703
	13,761	16,344	**27,166**	27,692
Due within one year	**13,761**	16,344	**8,988**	14,474
Due after one year	-	-	**18,178**	13,218
	13,761	16,344	**27,166**	27,692

The term "technical" refers to the portion of the rental debt which will be paid out of expected Housing Benefit and Supporting People payments.

Amounts due from group undertakings are interest free and unsecured. £18,178k due from group undertakings is due after more than one year (2019: £13,218k), with £1,891k repayable on demand (2019: £1,285k).

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt (note 16)	**9,864**	18,378	**6,374**	11,618
Trade creditors	**5,813**	8,211	**4,798**	5,779
Accruals	**9,224**	6,119	**6,367**	4,014
Other Creditors	**185**	28	-	-
Due to contractors for certified work and retentions	**3,650**	3,009	**3,650**	3,009
Rental and service charge paid in advance	**952**	958	**952**	958
Other tax and social security	**282**	339	**227**	187
Amounts due to group undertakings	-	-	**6**	336
Housing grant received in advance	**12,126**	18,498	**12,126**	18,498
Deferred tax liability	**325**	199	-	-
Disposal proceeds fund (note 18)	**884**	534	**884**	534
Deferred grant income (note 17)	**11,979**	11,980	**10,314**	10,420
	55,284	68,253	**45,698**	55,353

Amounts due to group undertakings are interest free, unsecured and repayable on demand.

NOTES (continued)

15 CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Debt (note 16)	**370,030**	257,176	**242,328**	179,065
Disposal proceeds fund (note 18)	**1,226**	487	**1,226**	487
Financial instruments (note 26)	**13,000**	9,601	**9,733**	8,167
Deferred grant income (note 17)	**500,560**	491,332	**455,159**	446,673
	884,816	758,596	**708,446**	634,392

16 Debt analysis

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year				
Banks loans	**9,686**	18,175	**6,196**	11,415
DfC loans	**178**	203	**178**	203
	9,864	18,378	**6,374**	11,618
Due greater than one year				
Banks loans	**328,370**	227,710	**238,732**	173,509
Concessionary loans	**41,291**	28,920	**3,227**	5,010
DfC loans	**369**	546	**369**	546
	370,030	257,176	**242,328**	179,065
Total borrowings	**379,894**	275,554	**248,702**	190,683

NOTES (continued)

16 Debt analysis (continued)

Terms of repayment and interest rates

Group

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	31 March 2020	31 March 2019
		Range	Range		£'000	£'000
Bank loans	GBP and Euro	0.8% to 6.2% (Variable and Fixed)	2018 to 2044	Monthly and quarterly	**236,737**	152,371
DfC loan	GBP	9.63% to 12.32% (Fixed)	2018 to 2024	Bi-annually	**547**	749
Concessionary loans	GBP and Euro	0% to 2% (Fixed)	2018 to 2048	Bullet repayment on maturity	**42,335**	28,920
The Housing Finance Corporation ("THFC") loans	GBP	4.42% to 6.35% (Fixed)	2026 to 2043	Quarterly and bi-annually	**46,643**	46,937
Housing Finance Agency (HFA)	Euro	3 months EURIBOR + 2.75% to 3.85% (Variable and Fixed)	2040 to 2047	Bi-annually	**53,632**	46,577
Total					**379,894**	275,554

At 31 March 2020 the Group had undrawn loan facilities of £12,000k (2019: £102,000k).

Parent

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	31 March 2020	31 March 2019
		Range	Range		£'000	£'000
Bank loans	GBP	0.82% to 6.1% (Variable and Fixed)	2018 to 2042	Monthly and quarterly	**197,241**	138,198
DfC loan	GBP	9.63% to 12.32% (Fixed)	2018 to 2024	Bi-annually	**547**	749
Concessionary loans	GBP	0% (Fixed)	2019 to 2020	Fixed instalments	**4,271**	5,010
THFC loans	GBP	4.03% to 6.35% (Fixed)	2030 to 2043	Quarterly and bi-annually	**46,643**	46,726
Total					**248,702**	190,683

At 31 March 2020 the Parent had undrawn loan facilities of £12,000k (2019: £102,000k).

Hedging

- £30m of banks loans included in Parent and Group above have been hedged using interest rate swaps to fix the interest payable (5.35% Swap £20m 2040 and £10m Interest rate collar).
- €16.9m of bank loans included in Group above have been hedged using interest rate swaps to fix the interest payable (EURIBOR Floor 2044).

Security

- Bank loans are secured by way of mortgages upon the deeds of the related properties financed by the loans and charges over the assets of the entity.
- The Housing Finance Corporation Limited (THFC) loans are secured by way of a fixed charge over the Association's housing assets.
- HFA Loans are secured by way of mortgages upon the deeds of the related properties financed by the loans.
- Concessionary and DfC loans are unsecured.

NOTES (continued)

16 Debt analysis (continued)

Repayment schedule
Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Within one year or on demand	**9,864**	18,175	**6,374**	11,415
One year or more but less than two years	**8,476**	7,569	**6,687**	6,554
Two years or more but less than five years	**24,065**	27,687	**18,385**	24,361
Five years or more	**337,489**	222,123	**217,256**	148,353
Total borrowings	**379,894**	275,554	**248,702**	190,683

Changes in net debt
Net debt represents the amount of borrowings less cash. The changes in net debt arising during the year ended 31 March 2020 were as follows:

Group	**Net cash and cash equivalents £'000**	**Debt within one year £'000**	**Debt greater than one year £'000**	**2020 Total £'000**
At 1 April 2019	16,067	(18,175)	(257,379)	(259,487)
Cashflow	21,709	18,175	(119,799)	(79,915)
Other non-cash movements	67	(9,864)	7,148	(2,649)
At 31 March 2020	**37,843**	**(9,864)**	**(370,030)**	**(342,051)**

NOTES (continued)

17 DEFERRED GRANT INCOME

17.1 GRANT RECONCILIATION - NET

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 April 2019	503,312	489,392	457,093	441,344
Additions	21,673	28,236	20,769	27,544
Released to income in year	(12,989)	(12,965)	(11,452)	(11,346)
Disposals	(937)	(449)	(937)	(449)
Foreign exchange	1,480	(902)	-	-
At 31 March 2020	**512,539**	**503,312**	**465,473**	**457,093**
Amounts to be released within one year	11,979	11,980	10,314	10,420
Amounts to be released in more than one year	500,560	491,332	455,159	446,673
	512,539	**503,312**	**465,473**	**457,093**

17.2 GRANT RECONCILIATION - GROSS

	Parent			Group
	HAG	Other	Total	Total
Gross	£'000	£'000	£'000	£'000
At 1 April 2019	591,866	5,250	597,116	657,738
Additions	20,716	53	20,769	21,673
Disposals	(1,235)	-	(1,235)	(1,235)
Foreign exchange	-	-	-	1,915
At 31 March 2020	**611,347**	**5,303**	**616,650**	**680,091**
Amortisation				
At 1 April 2019	(138,352)	(1,671)	(140,023)	(154,426)
Released to income in year	(11,205)	(247)	(11,452)	(12,989)
Disposals	298	-	298	298
Foreign exchange	-	-	-	(435)
At 31 March 2020	**(149,259)**	**(1,918)**	**(151,177)**	**(167,552)**
Net book value				
At 31 March 2020	**462,088**	**3,385**	**465,473**	**512,539**
At 1 April 2019	453,514	3,579	457,093	503,312

NOTES (continued)

18 DISPOSAL PROCEEDS FUND

The movements in the disposal proceeds fund during the year were:

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April	1,021	2,018	1,021	2,018
House sales	1,226	485	1.226	485
Expenditure	(137)	(1,482)	(137)	(1,482)
At 31 March	**2,110**	**1,021**	**2,110**	**1,021**
The disposal funds surpluses must be used as follows:				
Within the next year (note 14)	884	534	884	534
Within the next two years (note 15)	1,226	487	1,226	487
	2,110	**1,021**	**2,110**	**1,021**

19 EMPLOYEE BENEFITS

19.1 Pensions

Group and Parent

The Parent contributes to the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC). This is a defined benefit scheme and the benefits currently provided are on a Career Average Revaluated Earnings ('CARE') basis, based on an accrual rate of 1/49. Death in service benefits include three times pensionable salary, and spouse pension paid to a qualifying spouse.

The most recent formal actuarial valuation was completed as at 31 March 2019 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary. A full actuarial valuation is carried out every three years. Pension scheme assets were stated at their estimated market value at 31 March 2020.

Net pension liability

	2020	**2019**
	£'000	**£'000**
Defined benefit obligation	**(46,180)**	(47,699)
Plan assets	**43,429**	40,830
Net pension liability	**(2,751)**	(6,869)

NOTES (continued)

19.1 Pensions (continued)

Movements in present value of defined benefits obligation

	2020 £'000	2019 £'000
At 1 April	**47,699**	42,705
Current service cost	**1,280**	1,153
Interest expense	**1,156**	1,121
Re-measurement: actuarial gains/(losses)	**(3,476)**	3,018
Member contributions	**222**	226
Benefits paid	**(701)**	(524)
At 31 March	**46,180**	47,699

Movements in fair value of plan assets

	2020 £'000	2019 £'000
At 1 April	**40,830**	38,354
Interest income	**995**	1,016
Re-measurement gains on assets	**365**	25
Contributions by employer	**1,718**	1,733
Contributions by members	**222**	226
Benefits paid	**(701)**	(524)
At 31 March	**43,429**	40,830

Re-measurement of net defined liability

	2020 £'000	2019 £'000
Re-measurement: actuarial gains/(losses)	**3,059**	(3,018)
Re-measurement gains on assets	**365**	25
Actuarial gains from experience	**417**	-
Net re-measurement – recognised in other comprehensive income	**3,841**	(2,993)

Expense recognised in the income and expenditure account

	2020 £'000	2019 £'000
Operating costs: - current service cost	**1,264**	1,139
- administration costs	**16**	14
Amounts charged to operating costs	**1,280**	1,153
Net interest on net defined benefit liability	**161**	105
Amounts charged to interest expense	**161**	105

NOTES (continued)

19.1 Pensions (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £'000	2020 Fair value %	2019 Fair value £'000	2019 Fair value %
Equities	**18,457**	**42.5**	24,294	59.5
Bonds	**16,807**	**38.7**	9,595	23.5
Property	**4,343**	**10.0**	4,573	11.2
Cash	**3,822**	**8.8**	2,368	5.8
	43,429		40,830	
Actual return on plan assets	**1,360**		1,041	

Principal actuarial assumptions: Financial assumptions

The principal actuarial assumptions used by the actuary (expressed as weighted averages) at the year-end were as follows:

Assumptions used for calculations	**2020**	**2019**
Discount rate	**2.45%**	2.40%
Future increase in retail price index	**2.55%**	3.20%
Future increase in consumer price index	**2.10%**	2.20%
Future rate of salary increase	**3.60%**	3.70%
Average future rate of pension increases	**2.10%**	2.20%

The main assumptions relating to member longevity underlying the pension liabilities at the balance sheet date are as follows:

Average expected future life expectancy after 65 for:	**2020 Years**	**2019 Years**
Male staff currently aged 65	**22.0**	22.8
Female staff currently aged 65	**25.2**	25.3
Male currently aged 45	**23.4**	24.6
Female currently aged 45	**26.7**	27.2

Defined contributions plan
The Association operates a defined contribution pension plan. The total expense relating to these plans in the current year was £321k (2019: £271k).

19.2 Holiday Pay Entitlement

The employees of the Group have unused holiday entitlements at 31 March 2020 amounting to a liability of £146k (2019: £127k). These have been reported within staff costs and accruals.

NOTES (continued)

20 SHARE CAPITAL

	Parent and Group	
	2020	**2019**
	(Figures are in single pounds)	
Ordinary shares of £1 each, fully paid	**£**	**£**
At 1 April	**63**	87
Share capital issued, fully paid	**5**	-
Transfer to capital reserve	-	(24)
At 31 March	**68**	63

The Parent's share capital is classified as equity and the shares are not entitled to a dividend, are never redeemable, and will not be repaid if the Parent is wound up.

Every Board member has owned one share since their election to the Board. The names of all Board members who held office during the year are listed on page 2 and 3.

No Board member holds or exercised an option to buy shares in or debentures of the Parent.

21 RESERVES

Capital reserve

Capital reserve represents the value of shares surrendered on cessation of membership.

	Parent and Group	
	2020	**2019**
	(Figures are in single pounds)	
	£	**£**
At 1 April	**136**	112
Transfer from share capital	-	24
At 31 March	**136**	136

Foreign currency translation reserve

In the group financial statements, the foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into GBP, the presentational currency of the Parent and Group.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

NOTES (continued)

22 CAPITAL COMMITMENTS

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Authorised and contracted for	47,425	89,159	33,899	58,943

The figures above are gross expenditure before offsetting attributable grants. The Group operates a prudent Treasury policy and has funding in place to meet these capital commitments.

23 RELATED PARTY TRANSACTIONS

Details of transactions with Choice Housing Ireland Limited during the financial year ended 31 March 2020 are shown below:

Nature of transaction	**Amount Dr/(Cr)**	**Balance due to related party**	**Amount Dr/(Cr)**	**Balance due to related party**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Oaklee Housing				
Recharges of Labour/other costs	(284)	2,602	(180)	2,513
Interest	(71)		(98)	
Inter Company Funding	289		457	
Exchange Movement	(54)		35	
Other repayments	31		(118)	
Acorn Housing				
Recharge of costs	13	48	11	29
Comhar Facilities Management				
Amounts advanced	(184)	-	184	184
Skainos[1]				
Service charges	54	-	68	-

The Group have availed of the available exemption to report related party transactions for 100% owned subsidiaries. The exemption has been adopted for Maple And May Ltd, Maple And May (Homes) Ltd and Choice Services (Ireland) Limited.

[1] Skainos Limited is a property development partner and is considered to be a related party because the Parent has representation on its Board.

All transactions with related parties are on an arms-length basis. There are no provisions against any balance with Group undertakings at the year-end (2019: £nil).

NOTES (continued)

24 CASHFLOW FROM OPERATING ACTIVITIES

	2020	2019
	£'000	£'000
Surplus for the year	**11,522**	8,518
Gain on disposal of tangible fixed assets	**(1,310)**	(514)
Interest receivable and similar income	**(365)**	(187)
Interest payable and similar charges	**9,025**	8,441
Net finance charges relating to pension scheme	**161**	105
Gain on property valuation	**(437)**	(617)
Reversal of impairment of financial assets	**(167)**	-
Transfer to disposal proceeds fund	**1,226**	485
Movement in fair value of financial instruments	**205**	171
Taxation	**217**	97
Depreciation, impairment and write-off of major repairs on owned tangible fixed assets	**20,407**	17,142
Amortisation of capital grants and contributions	**(12,989)**	(12,965)
Pension costs less contributions payable	**(438)**	(580)
Increase in stock and trading properties	**195**	(716)
Increase in trade and other debtors	**(3,817)**	(1,577)
Decrease in trade and other creditors	773	(747)
Net cash inflow from operating activities	24,208	17,056

24.1 CASH INVESTMENTS

	2020	2019
	£'000	£'000
Cash Investments	17,131	1,793

Cash investments includes cash on deposit for more than 90 days.

NOTES (continued)

25 HOMES AND BEDSPACES IN MANAGEMENT AND IN DEVELOPMENT

The number of homes and bed-spaces in management and in development in Northern Ireland as at 31 March 2020 was 11,141 (2019: 11,077). In the Republic of Ireland there were 1,152 units in management and in development as at 31 March 2020 (2019: 1,042). This is analysed in the table below:

Number of units owned by the Parent	**2020**	**2019**
Self-contained	**Properties**	**Properties**
General needs housing- Social Rent	**6,818**	6,504
Sheltered housing	**1,910**	1,918
Supported housing	**790**	786
Shared ownership	**2**	2
	9,520	9,210
Non self-contained	**Bedspaces**	**Bedspaces**
General needs housing- Social rent	**33**	38
Supported housing	**1,059**	1,062
	1,092	1,100
Total units owned at year end	**10,612**	10,310
Number of units managed but not owned by the Parent		
Self-contained	**Properties**	**Properties**
General Needs Housing- Social rent	**19**	19
Sheltered Housing	**1**	1
Total units managed at year end	**20**	20
Total units owned and managed by the Parent	**10,632**	10,330
Oaklee Housing	**1,152**	1,042
Maple And May Ltd	**185**	132
Acorn Housing Ltd	**154**	100
Total units managed by the Group	**12,123**	11,604
Units in development at the year end	**509**	747

NOTES (continued)

26 FINANCIAL INSTRUMENTS

Carrying amounts of financial instruments held at other than fair value

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Assets measured at amortised cost				
Cash and cash equivalents	**37,843**	16,067	**32,526**	13,200
Cash investments	**17,131**	1,793	**17,131**	1,793
Trade and other debtors	**12,955**	14,448	**26,600**	26,989
Liabilities measured at amortised cost				
Debt	**(379,894)**	(275,554)	**(248,702)**	(190,683)
Trade and other payables	**(18,861)**	(17,367)	**(14,821)**	(13,138)
	(330,826)	(260,612)	**(187,266)**	(161,839)

Financial instruments measured at fair value

	Group		Parent	
	2020	2019	2020	2019
Derivatives- Level 2	£'000	£'000	£'000	£'000
Interest rate swap	**(9,380)**	(6,813)	**(6,113)**	(5,379)
Interest rate collar	**(3,614)**	(2,789)	**(3,614)**	(2,789)
Forward exchange contract	**(6)**	1	**(6)**	1
Carrying value	**(13,000)**	(9,601)	**(9,733)**	(8,167)

The Group has the following derivative financial instruments which have been measured at fair value:

- Barclays £20m interest rate swap
- Barclays £10m interest rate collar
- Barclays forward foreign exchange contract
- Nord LB €5.9m interest rate floating to fixed swap and floor (Feb-18)
- Nord LB €5.3m interest rate floating to fixed swap and floor (Jul-18)
- Nord LB €5.6m interest rate floating to fixed swap and floor (Dec-18)
- Nord LB €5.1m interest rate floating to fixed swap and floor (Aug-19)
- Nord LB €7.1m interest rate floating to fixed swap and floor (Dec-19)

The fair values of the interest rate swaps and collars is based on discounting estimated cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

NOTES (continued)

26 FINANCIAL INSTRUMENTS (continued)

The fair value of the forward exchange contract is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

26.1 HEDGE ACCOUNTING

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models.

Hedging Cash Flows

Group

Derivatives	Carrying amount £'000	Expected cash flows £'000	1 year or less £'000	1 to < 2 years £'000	2 to < 5 years £'000	5 years and over £'000
2020						
Inflows		1,161	(53)	(51)	(28)	1,293
Outflows		(16,195)	(1,361)	(1,309)	(3,591)	(9,934)
	(12,994)	(15,034)	(1,414)	(1,360)	(3,619)	(8,641)
2019						
Inflows		4,054	76	81	414	3,484
Outflows		(15,496)	(1,242)	(1,238)	(3,380)	(9,635)
	(9,602)	(11,442)	(1,166)	(1,157)	(2,966)	(6,151)

Company

Derivatives	Carrying amount £'000	Expected cash flows £'000	1 year or less £'000	1 to < 2 years £'000	2 to < 5 years £'000	5 years and over £'000
2020						
Inflows		578	32	27	120	399
Outflows		(11,619)	(1,059)	(1,015)	(2,747)	(6,798)
	(9,727)	(11,041)	(1,027)	(988)	(2,627)	(6,399)
2019						
Inflows		1,942	103	106	368	1,366
Outflows		(11,834)	(1,070)	(1,011)	(2,727)	(7,026)
	(8,168)	(9,892)	(967)	(905)	(2,359)	(5,660)

NOTES (continued)

26 FINANCIAL INSTRUMENTS (continued)

26.1 HEDGE ACCOUNTING (continued)

Reconciliation of fair value measurements of financial liabilities

Group	**Interest rate swap**	**Interest rate collar**	**Forward exchange contract**	**Acorn interest rate swap**	**2020 Total**	**2019 Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fair value liability at 1 April	5,379	2,789	(1)	1,434	**9,601**	8,586
Movements recognised in Income and Expenditure						
Ineffective portion of (gains)/losses on derivatives treated as cash-flow hedges	29	50	-	119	**198**	197
Fair value movement on derivative contracts which are not in a hedging relationship	-	-	7	-	**7**	(23)
Movements recognised in other comprehensive income						
Effective portion of changes in fair value of cash-flow hedges	705	775	-	1,714	**3,194**	841
Fair value liability at 31 March	6,113	3,614	6	3,267	13,000	9,601

The interest rate swaps, interest rate collar and Nord interest rate swaps are hedge accounted; the foreign exchange contract is not hedge accounted.

Parent	**Interest rate swap**	**Interest rate collar**	**Forward exchange contract**	**2020 Total**	**2019 Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fair value liability at 1 April	5,379	2,789	(1)	**8,167**	8,328
Movements recognised in Income and Expenditure					
Ineffective portion of (gains)/losses on derivatives treated as cash-flow hedges	29	50	-	**79**	**7**
Fair value movement on derivative contracts which are not in a hedging relationship	-	-	7	**7**	**(23)**
Movements recognised in other comprehensive income					
Effective portion of changes in fair value of cash-flow hedges	705	775	-	**1,480**	**(145)**
Fair value liability at 31 March	6,113	3,614	6	9,733	8,167

The interest rate swaps, interest rate collar and Nord interest rate floors are hedge accounted; the foreign exchange contract is not hedge accounted.

NOTES (continued)

26 FINANCIAL INSTRUMENTS (continued)

26.1 HEDGE ACCOUNTING (continued)

Summary of hedges

Financial instrument - Barclays £20m interest rate swap

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Barclays floating rate loan £20m (2040) against unfavourable movements in the 1 Month LIBOR rate. The swap pays fixed interest of 5.35% and receives 1 month LIBOR.
- Risk being hedged- The cash flows stemming from the interest payments of the Barclays floating rate loan £20m (2040) is linked to 1 Month LIBOR. The interest payments are highly expected to occur as the loan has already been drawn. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

Financial instrument - Barclays £10m interest rate collar

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Barclays floating loan £10m (2040), against unfavourable movements in the 1 Month LIBOR rate. The instrument includes a cap at 6% and floor of 4.5%.
- Risk being hedged- The cash flows stemming from the interest payments of the Barclays floating loan £10m (2040) is linked to 1 Month LIBOR. The interest payments are highly expected to occur as the loan has already been drawn. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

Financial instrument - Nord LB €5.9m interest rate swap (Feb-18)

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments due on the bank loan of €5.9m, with a term to 2044, against movements in the 1 to 6 months EURIBOR rate. The hedging instrument, which is a floating to fixed interest rate swap, fixes the interest rate payable at between 1.5% and 2%, and includes a EURIBOR floor of minus1.5%.
- Risk being hedged- The cash flows stemming from the interest payments of the Nord loan €5.9m (2044) is linked to the 1 to 6 Month EURIBOR. The interest payments are highly expected to occur as the loan has been part drawn down with future purchases identified for the utilisation of the undrawn facility. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

NOTES (continued)

26 FINANCIAL INSTRUMENTS (continued)

26.1 HEDGE ACCOUNTING (continued)

Financial instrument - Nord LB €5.3m interest rate swap (Jul-18)

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments due on the bank loan of €5.3m, with a term to 2044, against movements in the 1 to 6 months EURIBOR rate. The hedging instrument which is a floating to fixed interest rate swap, fixes the interest rate payable at between 1% and 2%, and includes a EURIBOR floor of minus1.5%.
- Risk being hedged- The cash flows stemming from the interest payments of the Nord loan €5.3m (2044) is linked to the 1 to 6 Month EURIBOR. The interest payments are highly expected to occur as the loan has been part drawn down with future purchases identified for the utilisation of the undrawn facility. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

Financial instrument - Nord LB €5.6m interest rate swap (Dec-18)

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments due on the bank loan of €5.6m, with a term to 2044, against movements in the 1 to 6 months EURIBOR rate. The hedging instrument, which is a floating to fixed interest rate swap, fixes the interest rate payable at between 1% and 2%, and includes a EURIBOR floor of minus 1.5%.
- Risk being hedged- The cash flows stemming from the interest payments of the Nord loan €5.6m (2044) is linked to the 1 to 6 Month EURIBOR. The interest payments are highly expected to occur as the loan has been part drawn down with future purchases identified for the utilisation of the undrawn facility. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

Financial instrument - Nord LB €5.1m interest rate swap (Aug-19)

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments due on the bank loan of €5.1m, with a term to 2044, against movements in the 1 to 6 months EURIBOR rate. The hedging instrument, which is a floating to fixed interest rate swap, fixes the interest rate payable at between 1% and 2%, and includes a EURIBOR floor of minus1.5%. The time value of the floor option on the hedging instrument is excluded from the hedge relationship.
- Risk being hedged- The cash flows stemming from the interest payments of the Nord loan €5.1m (2044) is linked to the 1 to 6 Month EURIBOR. The interest payments are highly expected to occur as the loan has been part drawn down with future purchases identified for the utilisation of the undrawn facility. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

NOTES (continued)

26 FINANCIAL INSTRUMENTS (continued)

26.1 HEDGE ACCOUNTING (continued)

Financial instrument - Nord LB €7.1m interest rate swap (Dec-19)

- Hedge description- The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments due on the bank loan of €7.1m, with a term to 2044, against movements in the 1 to 6 months EURIBOR rate. The hedging instrument, which is a floating to fixed interest rate swap, fixes the interest rate payable at between 1% and 2%, and includes a EURIBOR floor of minus 1.5%. The time value of the floor option on the hedging instrument is excluded from the hedge relationship.
- Risk being hedged- The cash flows stemming from the interest payments of the Nord loan €7.1m (2044) is linked to the 1 to 6 Month EURIBOR. The interest payments are highly expected to occur as the loan has been part drawn down with future purchases identified for the utilisation of the undrawn facility. The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

27 CONTINGENT LIABILITIES

There is a contingent liability in respect of grants and contributions if the Group does not comply with the terms of the letter of grant award. The possibility of any reimbursement is considered to be remote.

Defined benefit obligation- GMP indexation / equalisation- The Government published a response to the consultation on indexation and equalisation of GMP in public service pension schemes in January 2018, extending the current interim solution to 5 April 2021. During 2019-20, a further extension of the anticipated solution extended this in respect of members reaching State Pension age after 6 April 2021. Whilst the defined benefit obligation as at 31 March 2020 includes the additional liability for GMP indexation on the assumption of extending this interim solution, the final solution on GMP entitlements in public service pension schemes is still to be agreed, and this could lead to further liabilities arising.

28 POST BALANCE SHEET EVENTS

The Board are monitoring developments in relation to the Covid-19 pandemic. This virus is a worldwide pandemic and it is unclear the impact it will have on both the Northern Ireland economy and property markets. The valuation of the Group's social housing assets are protected since they are held for the long-term and are held in the balance sheet at historic cost. There have been no indicators of these assets becoming impaired at the date of signing the financial statements.

The Board continue to evaluate the situation and are confident that the Group and Association will be in a strong position to respond to the resulting challenges.

There have been no other significant events subsequent to year end that would require adjustment or disclosure in these financial statements.