

**Co-operative and Community Benefit Society No. 25197R
Regulator of Social Housing No. C3675**

CO-OP HOMES (SOUTH) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

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CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

EXECUTIVES AND ADVISORS

Board

William McManus	Chair (resigned 07/01/2021)
Derrick Turner	Interim-Chair and Treasurer
Toby D'Olier	RHP appointee
Nicholas Leggett	
Helen Berg	
Steve Tucker	
Gail Walters	

Managing Director

Neil Tryner

Secretary and Registered Office

Neil Tryner
8 Waldegrave Road
Teddington
Middlesex
TW11 8GT

Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick, West Sussex
RH6 0PA

Bankers

The Co-operative Bank	Lloyds Bank PLC
14 New Broadway	City Office
Ealing	PO Box 72
London W5 2LX	Bailey Drive
	Gillingham Business Park

Co-operative and Community Benefit

Society registered number	25197R
Regulator of Social Housing Number	C3675

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

Report of the Board

The Board present the audited financial statements for the year ended 31 March 2021 together with their report on the performance for the year, including how the business has met the requirements of the Value for Money Standard (VfM) and supporting Code of Practice.

Principal activity

The core business activity of the company (Co-op Homes) is to provide a range of services which meet the needs of our customers, both individual and corporate, principally;

- the provision of good quality, well managed, affordable housing for people in housing need; and
- the provision of management and support services to affiliated organisations.

Review of results

The main areas of operation are West London, Reading and Slough and other areas that can be managed from our offices in West London. Co-op Homes manages 295 units (2020: 295) of owned accommodation in these areas.

Co-op Homes has generated a surplus on ordinary activities before taxation of £861,664 for the year (2020: £1,247,643). The prior years' surplus was increased by a one-off sale which is the main reason for the reduced operating surplus.

Total comprehensive income for the year is £455,664 (2020, £1,707,643) which has been significantly affected by an actuarial loss on the defined benefit pension scheme of £406,000. This is a substantial reversal of the prior year's gain of £460,000 which had been driven by anomalous higher discount rates and lower inflation rates.

The surplus on permanent accommodation is £851,852 (2020, £901,802) which represents 5.5%. Whilst this is a slight decline from the prior year, it is within our expected tolerance in light of the changing operation environment. During the year we have incurred considerable costs repairing some of our properties in Reading which were damaged due to subsidence. The safety and comfort of our tenants is of great importance to us, and so we have incurred further costs temporarily re-homing tenants to allow the works to commence. Note 4 shows a breakdown of costs associated with lettings which now includes a new category 'loss on disposal of property components' with a cost of £108,104. It has been necessary for us to perform an accounting adjustment relating to the loss of value of our homes in Reading as a result of this subsidence issue.

Co-op Homes provided management and other services to 27 (2020: 24) affiliated organisations during the year, generating revenue of £928,903 (2020: £857,751). This 8.3% increase has been the result of securing four new management contracts, in addition to providing extra services to our existing customers. During the year we have also terminated a contract. This activity has generated a margin of 13% in the year (2020, 12%).

Temporary short life housing represents 1% of turnover in the year and continues to generate losses. The loss in the year of £43,734 (2020: £48,394) has reduced from last year but continues to be impacted by a high level of void loss. We regularly monitor the obligations of the related leases, and survey the condition of the properties to ensure that we have a sufficient provision to meet these obligations at the end of the lease term.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

Review of performance

In the lead up to the pandemic, Co-op Homes had been working towards the Group's 'Your Work, Your way' initiative, that provided all employees the necessary technology to be able to work from anywhere. As a result, we were able to quickly adapt to the changing working environment whilst also retaining excellent levels of employee engagement with 94% of staff feeling satisfied at work.

To ensure the safety of our customers and contractors we have been offering an emergency only repairs service during parts of the year. We have retained 90% satisfaction with the way we deal with repairs, which is consistent with last year's performance. Overall tenant satisfaction also remains at 90% which is consistent with our target.

As the operating environment begins to return to normality, we will be working closely with our employees to understand how we can retain some of the working practices we have adopted over the past year which will enable us to modernise our ways of working, offer great customer service and ensure our staff continue to feel supported.

Co-op Homes has faced a slight deterioration in key performance indicators, specifically rent arrears (2021, 4.97%, 2020, 4.80%) and repair completion targets (2021, 91.5% 2020, 96.9%) however overall performance remains in line with expectations.

Looking forwards

As detailed below, our strategic objectives include new development activity. Co-op Homes have been carefully considering our approach to meeting this objective in the current climate. We have recently concluded a revised business plan which incorporates a newly agreed intercompany loan used to support development activity. The business plan has been stringently tested against several adverse scenarios which are thought possible to occur in the wake of the pandemic. This exercise has concluded that Co-op Homes has retained sufficient strength to continue with our strategic objectives without causing undue risk to our key stakeholders.

Following the Government's Social Housing White Paper, which aims to deliver improvements in transparency and accountability of landlords, Co-op Homes' leadership team have formed a working group tasked with conducting a self-assessment of our current performance. We plan to build on our existing levels of customer satisfaction and proactively engage with our tenants to identify areas where improvement is needed to meet the specifications of the new Tenant's charter.

Co-op Homes is currently undergoing a review of all homes' EPC ratings to prepare to meet the Government's target of level 'C' by 2030. Once this data has been collected the leadership team will prepare a detailed plan of how to implement the required improvements. The expected costs will form part of our triennial Asset Management Plan which, in turn, will follow through to the next business plan.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

Strategic Objectives

The business operates within a 5-year strategic planning framework. The 2017 - 2022 strategy includes three key strategic goals, each of which focus on Value for Money (VfM).

The strategic goals are:

1. Modernise the current business to release capacity and improve core service efficiency.

The impact of Covid-19 has allowed us the opportunity to trial alternative methods of delivering services to our customers, many of which have resulted in improved efficiency and positive feedback. We have now moved to providing all reporting to our managed clients digitally as well as offering a 'virtual' presence at all monthly client meetings, therefore reducing print and travel costs and reducing travel time.

We have continued to invest in our self-service repair portal for our tenants, and tenants of our managed clients, which has resulted in up to 29% of tenants raising their own repairs whilst retaining the same high levels of satisfaction with the service (90.7%) as the prior year.

2. Develop new homes for niche customer groups currently excluded from the housing offer.

During the year Co-op Homes has utilised available borrowing capacity to negotiate a new £11m loan facility with our parent, RHP, which is available to draw from 1 April 21. We are currently working with the RHP development team to identify viable development options to grow our permanent accommodation stock.

We have also provided consultancy support and acted as an agent to allow a consortium of our co-op clients to access grant funding to support initial feasibility costs of developing in the local area.

3. Deliver management and support services to a wider range of organisations.

We have built upon our existing experience in providing management services to co-ops to be able to offer our services to a wider range of organisations, with the aim of diversifying our income streams, and increasing units under our management. During the year we welcomed a Tenant Managed Organisation (TMO) as well as another small housing association into our customer base.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

Delivering Value for Money (VfM) to Stakeholders

The Board has a commitment to achieving VfM, which is demonstrated by the strategic aim to modernise business processes and improve service efficiency. Our achievement towards this strategic aim is measured by a set of performance indicators agreed by the Board that allows Co-op Homes to demonstrate delivery of VfM to our stakeholders and compare performance within the Group, and externally.

Each month Co-op Homes publishes and circulates data within the group showing our achievements in the Group's key performance areas of 'Doing the Basics Brilliantly', 'Great Financial Management', 'Brilliant Customer Service' and 'Being an Excellent Employer' each of which has several metrics within them. An extract is shown below:

CHS Scorecard	CHS	Board Target
Repairs completed within target time	91.5%	≥ 98%
Arrears (as a % of rent income)	4.97%	< 5.0%
Customer Satisfaction	90.3%	≥ 88%
Employee Satisfaction	94.0%	≥ 90%

The chart above illustrates some of the challenges that we have faced in the past year in relation to repairs completion targets and arrears, which will be closely monitored over the forthcoming months to ensure that performance is improved in line with our customers' expectations and that our targets remain achievable.

Each year we conduct a review of whether the performance metrics continue to be relevant and target the areas which challenge us in the current operating environment. In the forthcoming year we will be reporting on void losses using a traffic light system to alert the Board to actual performance. We will continue to report on several other scorecard metrics which are linked to our performance related bonus structure, which serves to imbed a culture of continuous improvement.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

VfM Metrics and Self-Assessment

The chart below shows the Value for Money (VfM) performance metrics for the last three years, along with Sector Scorecard and competitors' metrics from 19/20.

Performance Metrics		CHS 18/19	CHS 19/20	CHS 20/21	Peer 1 19/20	Sector Scorecard 19/20
Reinvestment	%	1.9%	1.4%	1.7%	1.7%	5.0%
New Supply Delivered	%	0.0%	0.0%	0.0%	0.0%	1.3%
Gearing	%	5.3%	0.1%	-3.7%	-2.5%	38.3%
Interest Cover (using EBITDA MRI)	%	1346%	1696%	2352%	350%	150%
Headline social housing cost per unit	£'s	4,446	4,042	4,530	4,544	4,632
Operating Margin (social housing only)	%	41.0%	39.8%	36.7%	18.9%	23.5%
Operating Margin Overall	%	30.5%	43.1%	27.5%	13.2%	24.3%
Return on Capital Employed	%	4.7%	6.0%	4.2%	2.5%	2.6%

Peer 1 is a direct competitor as it is one of few organisations that provide management services in addition to owning its own stock. The sector scorecard data includes registered providers with less than 3,000 units in London and the South East.

We note our strong performance in the profit related metrics compared with our peers. Whilst cost per unit of £4,530 is lower than the sector scorecard figure of £4,632, this metric can be volatile due to the low stock numbers Co-op Homes currently has to divide costs between. To achieve our strategic objective to modernise the business and improve core efficiency, it is necessary to invest in our systems. Whilst this may lead to a temporary reduction in margins, this investment is expected to increase our capacity to manage further units and protect our margins in the longer term.

A review of the VfM performance data highlights the importance of Co-op Homes progressing with new development activity to ensure that new supply is matched to, or better than, the Sector Scorecard metric of 1.3%. The Board is currently appraising suitable development options that will allow us to achieve our strategic objective to deliver new homes.

Co-op Homes' gearing and interest cover ratios also indicate a greater capacity for debt and interest cost compared with other small housing associations. As noted above, we have been successful in securing a new £11m inter-company revolving credit facility that will allow us to fund new development activity. It is our expectation that our performance in these key areas will improve as we draw funds to support our development programme.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

Measuring Value for Money

Co-op Homes operates in a competitive market in the provision of management services to housing co-ops and other organisations. To retain and attract new customers, Co-op Homes must offer an excellent service at competitive prices which ensures that offering VfM is integral to our success.

The chart below shows our financial performance for the managed services part of our business compared with a competitor. Sector Scorecard data is not available for this business stream.

Managed Services	CHS 19/20	CHS 20/21	Peer 1 19/20
Turnover £000	858	929	1,419
Margin	12.0%	13.1%	0.2%
Units in management	954	1248	1531

The figures above demonstrate our success in growing this part of the business whilst maintaining a positive margin. Our challenge continues to be finding economies of scale in the way we deliver our services to 27 separate entities, each with their own ways of working. In response to this challenge, we are continuing to promote our 'digital only' service to new and existing customers. The 'digital only' service helps to increase the efficiency of our internal processes, and therefore allows us to offer a more competitive fee. As a result of the pandemic, we have been offering further digital services to our existing customers which we expect to lead to further efficiencies.

Regarding our owned properties, Co-op Homes uses 'cost per unit' as an important indicator of our performance and how it compares with others.

Overall operating results – Owned stock	CHS 19/20	CHS 20/21	Peer 1 19/20	Sector scorecard
Management cost per unit	£ 1,223	1,198	1,111	1,290
Routine repairs cost per unit	£ 817	923	1,445	1,371
Major repairs cost per unit	£ 974	1,561	1,579	935

The figures above illustrate that our management cost per unit is broadly consistent with our peers however routine repairs is significantly lower. Most of our stock is less than 30 years old, and we have continued to invest in maintaining the properties to a good standard which may account for the reduced routine repairs cost. The increase in major repairs cost in 20/21 is the result of significant repairs being required to some of our properties which were damaged due to subsidence.

To ensure that we can continue to maintain our properties to a good standard and deliver the necessary energy efficiency improvements our Board has concluded that it is necessary to increase our rents by CPI (consumer price index) plus 1% for the forthcoming year. We remain mindful of our customer's economic circumstances and will continue to offer the necessary support and signposting to ensure arrears are well managed.

Delivering VfM is embedded within Co-op Homes' culture and clearly measured by the achievements outlined above relating to systems improvements, business growth and improved financial performance. However, the Board has a continued commitment to VfM and seeks to continually improve the cost per unit whilst simultaneously increasing the revenue generated from new business.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

Statement of responsibilities of the Board for the report and financial statements

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

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the organisation for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply these consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and, that the financial statements have been prepared in accordance with housing SORP : 2018 Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Co-op Homes and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014.

It is also responsible for safeguarding the assets of Co-op Homes and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Board is aware:

- there is no relevant audit information of which Co-op Homes' auditors are unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)

Internal controls assurance

The Board acknowledges its overall responsibility for monitoring the effectiveness of the internal control system for the organisation. It is supported by three group-wide committees, the Group Audit Committee and the Group Investment Committee with one member of the Board as a member of both committees. We are also supported by the Governance and Reward Committee.

The Group Audit Committee is responsible for overseeing internal and external audit, and for providing advice to the Co-op Homes Board on the effectiveness of the systems of internal controls, any major failures in the control assurance framework, and the arrangements for the management of risk.

The Group Investment Committee is responsible for the detailed scrutiny of Co-op Homes' financial planning and treasury management, reporting any areas of concern to both boards.

The purpose of the Governance and Reward Committee is to ensure effective and best practice governance arrangements and to keep under review the reward and engagement strategies.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by Co-op Homes is on-going and has been in place throughout the period commencing 1 April 2020 up to the date of approval of the report and financial statements. Key elements in the control framework include:

- Board approved terms of reference and delegated authorities.
- Clearly defined management responsibilities for the identification, evaluation, and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all employees.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A robust approach to treasury management which is subject to external review each year.
- Regular reporting to both the Co-op Homes and RHP boards on key business objectives, targets and outcomes.
- Group-wide board approved whistle-blowing and anti-theft and corruption policies.
- Group-wide board approved fraud policies covering prevention, detection and reporting and recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

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

The Board confirms that Co-op Homes has on-going processes for identifying, evaluating and managing significant risks faced by the company. This process has been in place throughout the year under review and up to the date these accounts have been approved.

The Board has approved an annual management plan for 2021/22, covering internal controls, service delivery and financial performance. The plan sets out key targets in each area and performance is monitored regularly by the Co-op Homes and RHP boards.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Report of the Board (continued)
Code of Governance

During the year, the Board carried out a review of its governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2020). The Board confirms compliance with the code.

Statement of Compliance

In accordance with the requirements of the Accounting Direction 2019, the Board certifies that Co-op Homes has complied with the requirements of the Regulator of Social Housing Governance and Financial Viability Standard.

The Board and executive officers

The Board and executive officers of Co-op Homes are listed on page 1.

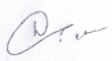
Going concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed.

Co-op homes has extensively stress tested its Business Plan for the continued impact of Covid-19 on its operations, potential development activity and recent financial restructure. In all scenarios tested, after mitigating actions were considered, Co-op Homes continues to be financially viable for the 30-year scope of the plan. Therefore, the Board continues to adopt the going concern basis in the financial statements.

External auditors

A resolution to reappoint BDO LLP as auditors of the Association will be proposed at the forthcoming Annual General Meeting.

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Derrick Turner
Interim Chair

8/3/2021

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Co-Op Homes (South) Limited ("the Association") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

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

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

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

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the Statement of the Responsibilities of the Board, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

Based on our understanding of the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

The audit procedures to address the risks identified included:

- Challenging assumptions made by management in their significant accounting estimates and judgements in relation to the useful lives of depreciable assets, pension discount rate, classification of loans
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

DocuSigned by:
E Kulczycki
C7998D5EC4924F4...

12 August 2021

Elizabeth Kulczycki
Statutory Auditor

Gatwick, West Sussex, **BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)**

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Statement of Comprehensive Income			
	Note	2021	2020
		£	£
Turnover	3	3,132,508	3,005,073
Operating costs	3	(2,241,789)	(2,094,038)
Surplus on sale of fixed assets	5	-	385,534
Operating surplus	3 & 9	890,719	1,296,569
Bank interest receivable		2,500	2,838
Interest payable and similar charges	8	<u>(31,555)</u>	<u>(51,764)</u>
Surplus on ordinary activities before taxation		861,664	1,247,643
Taxation	10	-	-
Surplus for the year after taxation		861,664	1,247,643
Actuarial gain /(loss) on defined benefit pension scheme	16	(406,000)	460,000
Total comprehensive income for the year		455,664	1,707,643

The notes on pages 18 to 36 form part of these financial statements.

All amounts relate to continuing activities.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Statement of Changes in Reserves			
	Note	2021	2020
		£	£
Income and expenditure account reserve at 1 April		8,997,606	7,289,963
Actuarial gain (loss) on defined benefit pension scheme	16	(406,000)	460,000
Surplus on ordinary activities before taxation		861,664	1,247,643
Income and expenditure account reserve at 31 March		<u>9,453,270</u>	<u>8,997,606</u>

The notes on pages 18 to 36 form part of these financial statements.

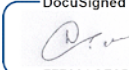
CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Statement of Financial Position					
	Note	2021		2020	
		£	£	£	£
Tangible fixed assets					
Housing properties	11	20,067,003		20,151,886	
Other tangible fixed assets	12	26,751		39,554	
			20,093,754		20,191,440
Current assets					
Debtors	13	246,721		121,993	
Cash at bank and in hand		1,171,802		1,281,966	
		1,418,523		1,403,959	
Creditors					
Other amounts falling due < 1 year	14	(1,177,644)		(847,116)	
			240,879		556,843
Net current assets (liabilities)					
Creditors: amounts falling due > 1 year	15		(10,177,244)		(11,365,907)
Net Pension Liability	16		(610,000)		(288,000)
Provisions for liabilities and charges	17		(93,904)		(96,555)
Net Assets			9,453,485		8,997,821
Capital and reserves					
Non equity share capital	20	215		215	
Income and Expenditure reserve		9,453,270		8,997,606	
			<u>9,453,485</u>		<u>8,997,821</u>

The notes on pages 18 to 36 form part of these financial statements

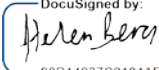
These financial statements were authorised for issue and approved by the Board and signed on its behalf by:

Derrick Turner

DocuSigned by:

 F7703ACE8D26487...

Interim Chair & Treasurer

Helen Berg

DocuSigned by:

 80D14237C2184AF...

Board Member

Neil Tryner

DocuSigned by:

 9CA0B55D1CF644F...

Company Secretary

Date of approval: 24 June 2021

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements

1. Legal status

Co-op Homes is registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. It is a public benefit entity.

2. Accounting policies

Basis of accounting

The financial statements have been prepared under the historic cost basis in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

Disclosure Exemptions

Advantage of the following exemptions available through FRS102 has been taken:

- No Statement of Cash Flows has been prepared as the parent, RHP Group, prepares publicly available consolidated financial statements.

Going Concern

Co-op Homes regularly prepares a long-term business plan which is tested against various adverse scenarios. The results of this testing indicate that Co-op Homes has sufficient resources to continue with day-to-day activities as well as the re-investment programme and planned development activity, while meeting lenders' covenants.

Co-op Homes has secured a 5-year revolving credit facility from 1 April 2021 which will be used to fund development activity. The business plan indicates that refinancing is required at the end of the loan term however it is expected that Co-op Homes will be able to secure new funding using newly developed homes, and existing stock to offer as security.

Considering the current uncertainty in the operating environment Co-op Homes reviews the business plan on a quarterly basis to ensure that the scenarios tested are sufficiently stringent. On this basis, the board has a reasonable expectation that Co-op Homes has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, we continue to adopt the going concern basis in the financial statements.

Significant judgements and estimates

The following are the significant management judgements or estimates made in applying the organisation's accounting policies that have the most significant effect on the financial statements.

Useful lives of depreciable assets - Estimate

Co-op Homes reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards and regulatory requirements which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2021 was £4,295,414 (2020: £3,948,124).

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

2. Accounting policies (continued)

Pension Discount Rate - Judgement

Under Section 28 of FRS102, the discount rate used to value the defined benefit obligation is set by reference to market yields at the reporting date on high-quality corporate bonds. Typically increasing (decreasing) this assumption by 0.1% p.a. would decrease (increase) the liabilities in the order of 2%, although the precise impact will vary from employer to employer based on their membership profile.

Loans with National Westminster Bank plc - Judgement

Co-op Homes has 4 loans with National Westminster Bank plc (Orchardbrook) totalling £262,146 (2020: £315,402). Due to administrative difficulties at the lender, Co-op Homes has been unable to obtain full details of the loan agreements to definitively determine how to account for the loans under FRS102. Based on the loan characteristics Co-op Homes considers the loans can be basic under FRS102 and has accounted for them on this basis in the financial statements.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year and fees for services provided to housing co-ops and other customers. Fee income is recognised as the underlying work is undertaken in accordance with contractual arrangements. Rental income is recognised from the point when properties under development reach practical completion and are formally let.

Value added tax

Co-op Homes charges VAT on the fees charged to housing co-ops and other customers and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the organisation and not recoverable from HM Revenue and Customs. As Co-op Homes is part of a VAT Group with its parent, RHP, the balance of VAT payable or recoverable at the year end is included within amounts due to parent company (Note 14).

Debtors

Short term debtors are measured at transaction price less any impairment.

Creditors

Short term trade creditors are measured at transaction price.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

Co-op Homes participates in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations under the scheme on a defined benefit basis. Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

2. Accounting policies (continued)

Housing properties

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 and expenditure incurred in respect of improvements.

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.

Government grants

Government grants include grants receivable from the Regulator, its predecessors, local authorities and other government organisations. Government grants received for housing properties are recognised as income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

Social Housing Grants (SHG) due from the regulator or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the regulator. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Depreciation of housing properties

Co-op Homes separately identifies the major components which comprise its housing properties and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Co-op Homes depreciates the major components of its housing properties over the following useful lives

Structure	100 years
Walls	50 years
Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Doors	30 years
Boilers	20 years

Land is not depreciated on account of its indefinite useful life.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2021****Notes to the financial statements (continued)****2. Accounting policies (continued)****Impairment**

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 recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the carrying value is written down to the recoverable amount. The resultant impairment loss is recognised as operating expenditure. Where the scheme is currently deemed not to be providing service potential to Co-op Homes, its recoverable amount is its fair value less costs to sell.

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

Temporary social housing improvements

Co-op Homes renovates leased properties using temporary social housing grant, which comprises works and lease elements. On receipt the grant is deferred and then taken to development income over the course of the renovation works.

For schemes in progress the excess of grant received over works cost plus attributable direct cost and surplus recognised is shown as a current liability. If scheme costs exceed grant received the excess is shown as development in progress within current assets. Surplus is only recognised where the outcome of the scheme is reasonably certain.

On completion of the renovation works the excess of grant received over costs is deferred and amortised to the income and expenditure account over the period of the lease.

For schemes where costs exceed grant received the investment is capitalised as temporary social housing improvements provided that there is expected to be sufficient rental income over the period of the lease to meet the cost of depreciation. If there is expected to be any shortfall in rental income the excess costs are written off immediately.

Other tangible fixed assets

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

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

Temporary social housing improvements -	period of lease
Office furniture and equipment -	4 years

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

2. Accounting policies (continued)

Capitalisation of finance costs

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

- interest on borrowings specifically financing the development programme after deduction of interest on SHG in advance; or
- interest on borrowings of the association after deduction of interest on SHG in advance to the extent that it can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year incurred.

Operating leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the period of the lease.

Dilapidation costs

Co-op Homes' leases for temporary social housing properties contain repair covenants relating to the upkeep of the properties. These lease covenants can give rise to dilapidation works or claims during or at the end of the related lease. Co-op Homes accounts for these costs in accordance with FRS 102 (provision and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding wants of repair at the related property. Co-op Homes makes provision for the expected cost of dilapidation work required. The provision is shown as a provision for liabilities in the financial statements.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

3. Turnover, operating costs and operating surplus/ (deficit) before tax and interest

	2021			2020		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£	£	£	£	£	£
Social Housing Lettings (see note 4)	<u>2,202,763</u>	<u>(1,394,646)</u>	<u>808,117</u>	<u>2,146,588</u>	<u>(1,293,180)</u>	<u>853,408</u>
Other social housing activities						
New business development	-	(39,462)	(39,462)	-	(46,227)	(46,227)
Management fees	928,903	(807,681)	121,222	857,751	(754,631)	103,120
Other	842		842	734	-	734
Surplus on sale of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,534</u>	<u>-</u>
	<u>3,132,508</u>	<u>(2,241,789)</u>	<u>890,719</u>	<u>3,005,073</u>	<u>(2,094,038)</u>	<u>1,296,569</u>

Co-op Homes currently has no developments for sale or property trading activities and therefore has no cost of sales in this year or last.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

4. Income and expenditure from social housing lettings

	Permanent accommodation	Temporary social housing	Total 2021	Total 2020
	£	£	£	£
Rent receivable	1,909,566	23,212	1,932,778	1,879,544
Service charges receivable	135,646	690	136,336	133,395
Amortisation of Capital Grant (Note 19)	133,649	-	133,649	133,649
Turnover from social housing lettings	2,178,861	23,902	2,202,763	2,146,588
Expenditure on lettings				
Rents payable	-	14,970	14,970	15,153
Services	113,146	2,347	115,493	125,444
Management	359,472	31,333	390,805	397,112
Routine maintenance	276,785	20,039	296,824	260,002
Planned maintenance	61,444	-	61,444	29,303
Loss on disposal of property components*	108,104	-	108,104	-
Depreciation of housing properties	389,447	-	389,447	418,116
Rent losses/(gains) from bad debts	4,234	(4,345)	(111)	26,417
Other	14,378	3,292	17,670	21,632
Operating costs on social housing lettings	1,327,010	67,636	1,394,646	1,293,180
Operating surplus / (deficit) on lettings	851,851	(43,734)	808,117	853,408
Void losses	2,945	10,799	13,744	6,160

*During the year it has been necessary to write off part of the historic structure cost for some properties in Reading which have been significantly damaged by subsidence. This has resulted in the 'loss on disposal of property components' of £108,104 shown above.

5. Surplus on sale of fixed assets

	2021	2020
	£	£
Housing properties		
Sales proceeds	-	527,000
Cost of sales	-	(117,838)
Write back of amortised grant	-	(10,189)
Other selling costs	-	<u>(13,439)</u>
	-	385,534

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

6. Directors' emoluments

The key management personnel are defined as the Board members, the Managing Director and the senior management team.

	2021	2020
	£	£
Aggregate emoluments of the senior management team (including pension contributions)	311,962	273,846
Emoluments of the highest paid director (including pension contributions and benefits in kind)	100,913	97,475

The number of Executive Directors in receipt of remuneration in excess of £60,000 is	2021	2020
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-

7. Employment information

	2021	2020
	Number	Number
The average monthly number of persons employed during the year was:		
Office staff - full time equivalent	<u>20.0</u>	<u>21.3</u>
	2021	2020
Staff costs (for the above persons):	£	£
Wages and salaries	774,814	752,963
Social security costs	79,178	81,349
Pension costs – defined benefit (note 16. d)	35,000	69,000
Pension costs – other pension costs	<u>67,145</u>	<u>41,296</u>
	<u>956,137</u>	<u>944,608</u>

There are no non Executive Directors in receipt of remuneration in excess of £60,000.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

8. Interest payable and similar charges	2021	2020
	£	£
On other loans repayable in one to five years	18,867	27,026
On housing loans repayable in more than five years	7,688	7,738
Unwinding of discount rate associated with pension liability (note 16.d)	<u>5,000</u>	<u>17,000</u>
	<u>31,555</u>	<u>51,764</u>

No interest has been capitalised in the year (2020 £Nil). Included in the above is £11,288, (2020, £14,764) in interest charges from the parent company, RHP Group.

9. Operating surplus	2021	2020
	£	£
Is stated after charging,		
Depreciation - other fixed assets	16,690	21,382
Depreciation - social housing properties	389,447	418,116
Loss on disposal of components	108,104	-
Auditor's remuneration (in their capacity as auditors):	14,945	14,400
Amounts payable under operating leases	14,131	15,153

10. Taxation	2021	2020
	£	£
Analysis of charge for the year		
<i>Current tax</i>	-	-
UK corporation tax on surplus for the year	-	-
Factors affecting tax charge for the year	£	£
Surplus on ordinary activities before tax	861,664	1,247,643
Surplus on ordinary activities multiplied by the effective rate of Corporation tax in the UK of 19.0 % (2020, 19.0%)	163,716	237,052
Income not chargeable to corporation tax	(163,716)	(237,052)
Current tax charge for the year	<u>0</u>	<u>0</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

11. Tangible Fixed Assets – Social Housing Properties

	Under Construction	Social housing properties for letting	Total
Cost			£
At 1 April 2020	-	24,100,010	24,100,010
Additions	5,796	406,872	412,668
Disposals of components	-	(150,261)	(150,261)
At 31 March 2021	<u>5,796</u>	<u>24,356,621</u>	<u>24,362,417</u>
Depreciation			
At 1 April 2020	-	(3,948,124)	(3,948,124)
Charge for the year	-	(389,447)	(389,447)
Disposal of components	-	42,157	42,157
At 31 March 2021	-	<u>(4,295,414)</u>	<u>(4,295,414)</u>
Net book value			
At 31 March 2021	<u>5,796</u>	<u>20,061,207</u>	<u>20,067,003</u>
At 31 March 2020	-	<u>20,151,886</u>	<u>20,151,886</u>

The above relates to 295, (2020, 295) units owned by Co-op Homes. The total number of units managed is given in note 23.

	2021	2020
Expenditure on works to existing properties	£	£
Components capitalised	406,872	308,140
Amounts charged to the Income and Expenditure account	61,444	29,303
	<u>468,316</u>	<u>337,443</u>
 Housing properties book value net of depreciation		
	2021	2020
	£	£
Freehold land and buildings	17,770,256	17,748,974
Long leasehold land and buildings	<u>2,296,747</u>	<u>2,402,912</u>
	<u>20,067,003</u>	<u>20,151,886</u>

The long leasehold properties have remaining lease terms in excess of 100 years.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

12. Other tangible fixed assets

	Temporary social housing improvements	Office furniture & equipment	Total
	£	£	£
Cost			
At 1 April 2020	99,929	174,866	274,795
Additions	-	<u>3,887</u>	<u>3,887</u>
At 31 March 2021	<u>99,929</u>	<u>178,754</u>	<u>278,683</u>
Depreciation			
At 1 April 2020	92,306	142,935	235,241
Charge for the year	<u>2,460</u>	<u>14,230</u>	<u>16,690</u>
At 31 March 2021	<u>94,766</u>	<u>157,165</u>	<u>251,931</u>
Net book value			
At 31 March 2021	<u>5,163</u>	<u>21,588</u>	<u>26,751</u>
At 31 March 2020	<u>7,623</u>	<u>31,931</u>	<u>39,554</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

13. Debtors	2021	2020
	£	£
Amounts receivable within one year:		
Rental and service charges receivable	237,225	234,982
Less: provision for bad and doubtful debts	<u>(153,169)</u>	<u>(153,279)</u>
	<u>84,056</u>	<u>81,703</u>
Other debtors	142,932	31,745
Prepayments	<u>19,733</u>	<u>8,545</u>
	<u>246,721</u>	<u>121,993</u>
14. Creditors: amounts falling due within one year	2021	2020
	£	£
Housing loans	56,146	55,195
Trade creditors	88,548	107,119
Other tax and social security	-	1,500
Amount due to parent company	251,918	148,053
Prepaid rent	159,377	151,608
Other creditors	242,449	77,816
Accruals and deferred income	245,557	172,176
Housing grant to be released within 1 year	<u>133,649</u>	<u>133,649</u>
	<u>1,177,644</u>	<u>847,116</u>
15. Creditors: amounts falling due after one year	2021	2020
	£	£
Deferred temporary social housing grant	3,032	3,839
Recycled capital grant fund (Note 18)	69,730	69,730
Housing loans	206,000	1,260,207
Social Housing Grant (Note 19)	<u>9,898,482</u>	<u>10,032,131</u>
	<u>10,177,244</u>	<u>11,365,907</u>
Within one year (Note 14)	56,146	55,195
One year or more but less than two years	61,006	1,060,886
Two years or more but less than five years	67,230	120,560
Five years or more	<u>77,764</u>	<u>78,761</u>
	<u>262,146</u>	<u>1,315,402</u>
Sources of finance of housing loans:		
National Westminster Bank plc	262,146	315,402
Richmond Housing Partnership	<u>0</u>	<u>1,000,000</u>
	<u>262,146</u>	<u>1,315,402</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

15. Creditors: amounts falling due after one year (continued)

During the year Co-op Homes has arranged a new intercompany loan facility of £11m from its parent, RHP, with a start date of 1 April 2021. This revolving credit facility will be used to support development activity and is secured by a floating charge over the company's existing and future housing properties. When funds are drawn they will attract a margin of 1.23% and undrawn funds will incur a commitment fee of 0.492%.

The NatWest Loan is secured by a fixed charge on the company's housing properties. Interest is charged at rates ranging from 1.12% to 10.38%.

Deferred low start loan interest of £79,118 (2020: £79,118) has been included in the loan principal shown above.

16. Pension

a) Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

	2021	2020
	£'000	£'000
Fair value of plan assets	2,893	2,540
Present value of defined benefit obligation	<u>3,503</u>	<u>2,828</u>
Net defined benefit asset/ (liability) to be recognised	<u>(610)</u>	<u>(288)</u>

b) Reconciliation of opening and closing balances of the defined benefit obligation

	2021	2020
	£'000	£'000
Defined benefit obligation at start of period	2,828	3,365
Current service cost	31	65
Expenses	4	4
Interest expense	67	76
Contributions by plan participants	31	33
Actuarial (gains) losses due to scheme experience	(29)	(188)
Actuarial (gains) losses due to changes in demographic assumptions	14	(31)
Actuarial (gains) losses due to changes in financial assumptions	662	(327)
Benefits paid and expenses	<u>(105)</u>	<u>(169)</u>
Defined benefit obligation at end of period	<u>3,503</u>	<u>2,828</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

16. Pension (continued)

c) Reconciliation of opening and closing balances of the fair value of plan assets

	2021	2020
	£'000	£'000
Fair value of plan assets at start of period	2,540	2,577
Interest income	62	59
(Loss) gain on plan assets (excluding amounts included in interest income)	241	(86)
Contributions by the employer	124	126
Contributions by plan participants	31	33
Benefits paid and expenses	(105)	(169)
Fair value of plan assets at end of period	<u>2,893</u>	<u>2,540</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £303,000 (2020, £27,000).

d) Defined benefit costs recognised in statement of comprehensive income

	2021	2020
	£'000	£'000
Current service cost	31	65
Expenses	4	4
Net interest expense	<u>5</u>	<u>17</u>
Defined benefit costs recognised in statement of comprehensive income	<u>40</u>	<u>86</u>

e) Defined benefit costs recognised in other comprehensive income

	2021	2020
	£'000	£'000
Gain (loss) on plan assets (excluding amounts included in net interest cost)	241	(86)
Gain (loss) arising on the plan liabilities	29	188
Gain (loss) due to changes in the demographic assumptions	(14)	31
Gain (loss) due to changes in the financial assumptions	<u>(662)</u>	<u>327</u>
Total amount recognised in other comprehensive income -gain/ loss	<u>(406)</u>	<u>460</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2021

Notes to the financial statements (continued)

16. Pension (continued)

f) Assets

	2021	2020
	£'000	£'000
Global Equity	461	372
Absolute Return	160	132
Distressed Opportunities	83	49
Credit Relative Value	91	70
Alternative Risk Premia	109	178
Fund of Hedge Funds	0	1
Emerging Markets Debt	117	77
Risk Sharing	105	86
Insurance-Linked Securities	69	78
Property	60	56
Infrastructure	193	189
Private Debt	69	51
Opportunistic illiquid credit	74	61
High Yield	87	-
Opportunistic Credit	79	-
Cash	-	-
Corporate Bond Fund	171	145
Liquid Credit	35	1
Long Lease Property	57	44
Secured Income	120	96
Liability Driven Investment	735	843
Net Current Assets	<u>18</u>	<u>11</u>
Total assets	2,893	2,540

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

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Notes to the financial statements (continued)

16. Pension (continued)

g) Key assumptions

	2021	2020
	% per annum	% per annum
Discount Rate	2.14%	2.40%
Inflation (RPI)	3.30%	2.67%
Inflation (CPI)	2.85%	1.67%
Salary Growth	3.85%	2.67%
Cash commutation	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Defined Benefit Pension Scheme

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

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Notes to the financial statements (continued)

16. Pension (continued)

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

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with Co-op Homes' fair share of the Scheme's total assets to calculate the net deficit or surplus at the accounting period start and end dates.

17. Provision for liabilities

	2021	2020
	£	£
At 1 April	96,555	102,086
Paid in the year	(16,251)	(10,531)
Charged to income in the year	13,600	5,000
At 31 March	<u>93,904</u>	<u>96,555</u>

This provision is the estimated amount of fulfilling the obligations of the short life property leases.

18. Recycled capital grant fund

	2021	2020
	£	£
At 1 April	69,730	-
Arising in the year	-	69,730
Recycled in the year	-	-
At 31 March	<u>69,730</u>	<u>69,730</u>

19. Social Housing Grant

	2021	2020
	£	£
At 1 April	10,165,780	10,358,970
Grant relating to disposal (Note 18 & 5)	0	(59,541)
Released to income for the year	<u>(133,649)</u>	<u>(133,649)</u>
At 31 March	<u>10,032,131</u>	<u>10,165,780</u>
Amount to be released within one year	(133,649)	(133,649)
Amounts to be released within more than one year	<u>(9,898,482)</u>	<u>(10,032,131)</u>

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Notes to the financial statements (continued)

20. Non equity share capital	2021	2020
	£	£
Shares at £5 each issued and fully paid:		
At 1 April 2020	215	210
Issued during the year	15	10
Cancelled during the year	<u>(15)</u>	<u>(5)</u>
At 31 March 2021	<u>215</u>	<u>215</u>

Shareholders have a right to vote at general meetings; there are no other rights attached to the shares.

When a shareholder ceases to be a member, that person's share is cancelled, and the amount paid up thereon becomes the property of the company. All shareholdings relate to non-equity interests.

21. Related party transactions

Co-op Homes provides management services to several primary housing co-operatives. These housing organisations are members of Co-op Homes and up to four Board places are available for their tenants as well as up to four Co-op Homes tenant members. In relation to these housing co-ops the company received £928,903 (2020: £857,751) for management services during the year. At 31 March 2021 there were no Co-op Homes tenant members on the Board.

As detailed in Note 15, during the year Co-op Homes has repaid a loan of £1,000,000 to its parent company, RHP, which attracted £11,288 (2020: £14,763) interest cost during the year.

In addition, Co-op Homes shares office premises, ICT services, HR services and other costs with its parent. Charges for these services during the year amounted to £105,321 (2020: £110,071).

22. Commitments under operating leases

As at 31 March 2021 the company had minimum future payments under operating leases in respect of housing land and buildings as follows:

	2021	2020
	£	£
Within one year	14,970	14,970
Between one and five years	34,412	46,485
After five years	6,148	8,140
	<u>55,530</u>	<u>69,595</u>

These commitments relate to 5 (2020, 5) accommodation units.

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Notes to the financial statements (continued)

23. Units in management

	2021	2020
	No.	No.
Permanent accommodation	295	295
Short-life accommodation	5	5
Managed accommodation for affiliated Co-ops:	<u>1,248</u>	<u>954</u>
	<u>1,548</u>	<u>1,254</u>

These units in management are all general needs housing with rent at a social rent.

24. Parent company

The consolidated accounts of the parent company, RHP Group, are publicly available and can be obtained from 8 Waldegrave Road, Teddington, TW11 8GT.