Network Homes

Annual Report and Financial Statements

For The Year Ended 31 March 2020

Because good homes
make everything possible

Contents

The Board, Executive Officers and Advisors

The Directors of the Association who were in office during the year and up to the date of signing the financial statements were:

Network Homes Limited Board	Bernadette Conroy, Chair Trevor Morley (resigned 30 July 2019) Patricia Anne Turner Helen Evans, Group Chief Executive Alan Hall Valerie Vaughan-Dick Jon Gooding Paul Plummer Ronen Journo Sean West Jaz Saggu Rachel King Barbara Brownlee (appointed 31 March 2020)
Company secretary	Tabitha Kassem
Executive officers	Helen Evans – Group Chief Executive Gerry Doherty – Executive Director of Customer Services David Gooch – Executive Director of Development Jon Dawson – Executive Director of Strategy and Infrastructure (resigned 15 April 2019) Fiona Deal – Executive Director of People and Technology Peter Benz – Executive Director of Finance Jamie Ratcliff – Executive Director of Business Partnership and Performance (appointed 1 April 2019) Tabitha Kassem – Executive Director of Governance (appointed 16 October 2019)
Registered office	Up to 27 July 2020: Olympic Office Centre, 8 Fulton Road, Wembley Middlesex HA9 0NU From 27 July 2020: The Hive 22, Wembley Park Boulevard,Wembley HA9 0HP
Independent auditors	BDO LLP, Chartered Accountants and Statutory Auditors, 55 Baker Street, London, W1U 7EU
Bankers	Barclays Bank PLC, 27th Floor, 1 Churchill Place, London E14 5HP
Registrations	Registered Provider No. 7326, Community Benefit Societies No. 4825

Report of the Board

Report of the Board

The Board presents its report and the audited consolidated financial statements for Network Homes Ltd ('the Group', 'the Association') and its subsidiary undertakings for the year ended 31 March 2020.

The consolidated Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and Statement of Cash Flow for the Group are set out on pages 32 to 36.

The Group's principal accounting policies are set out on pages 38 to 42 and these policies have been consistently applied across the Group.

The purpose of the Group, encapsulated in our Five Year Strategy mission statement, is '*to open up possibilities for as many people as we can, by continuing to grow a forward-thinking, service driven and financially strong organisation that builds, sells, rents and manages good homes in thriving communities*'.

Network Homes Limited operates across London, Hertfordshire and the South East of England. The Group now owns and/or manages 20,849 (2019: 20,630) homes for a wide range of customers.

Chair's review

I would first like to pay tribute to the people who have lost their lives or loved ones through the COVID-19 pandemic, be they Network Homes residents, colleagues or wider members of the communities in which we work.

These have been difficult times but with that in mind I remain pleased to report the financial results for Network Homes for 2019-20.

Network Homes achieved a net surplus for the year of £21.1m (2019: £72.0m). Turnover decreased by 25% to £205.7m (2019: £275.1m), and the operating margin decreased by 10% to 25.8% (2019: 35.3%). These results are largely reflective of our increased spending on building safety but also the previous year's figures were exceptionally high, mainly due to the sale of Student First, a subsidiary of Network Homes.

Our overall asset base rose to £2,007m (2019: £1,871m) and our gearing increased slightly to 53% (2019: 52%), a reflection of our commitment to delivering on our strategic objective of maximising growth within our resources by continuing to build the homes our country so desperately needs. Our pipeline for 2020 to 2023 will contribute over 2,800 much needed new homes. During the year we started 590 new homes (2019: 59), all of which were for affordable tenures.

This year we invested £234.3m (2019: £250.3m) in new development activity and £16.3m (2019: £8.1m) in maintaining and improving the standard of our existing properties.

Ensuring our homes are safe for the people who live in them is our single greatest responsibility as a landlord, and this has once again been a major priority for us during the year. We made good progress with our programme of investigations on our buildings over 18m high with external wall systems, to determine whether or not they were installed correctly, and have successfully concluded a number of these. Where we are not the freeholder we are liaising with building owners over their need to investigate. I am also pleased to report that we concluded the replacement of ACM cladding on two of our buildings, with the remaining two in progress. We are committed to being open and transparent with all our residents living in these buildings regarding the nature of the work that is needed to make their homes safe.

I am proud the Board took the decision this year to implement a new fifth strategic objective for Network Homes on strengthening our residents' trust in us, with an underpinning ambition of improving trust in us by 10% year on year. There has been much focus on the need for better relationships with residents across the housing sector since the publication of the Social Housing Green Paper and The National Housing Federation's Together with Tenants charter, of which we were an early adopter. But we wanted to go a step further and firmly place this important principle at the heart of our business by making it a core element of our corporate strategy and the performance objectives of all of our employees. The process to develop this new business objective was a highly collaborative one, led by residents from the start, and we are now working on a way to measure and report on performance in a meaningful way against our target.

Providing our residents with a positive everyday service with us is also a key strategic priority for Network Homes. Our overall customer satisfaction fell during the year to 85% (2019: 88.3%), and we are closely examining the reasons for this so we can put in place measures to return to the increases we've had in previous years. Our five-year strategic objective is to achieve at least 90% customer satisfaction.

The Regulator for Social Housing carried out its periodic In-Depth Assessment for Network Homes during the year, and I am pleased to report we retained the top G1 rating for governance and the V2 rating for viability. This means we fully meet the Regulator's requirement for governance and meet the requirement for financial viability, demonstrating we have the financial capacity to deal with a range of scenarios, while reflective of our risk appetite for growth through our ambitious pipeline of new homes.

The spirit and generosity of Network's staff is never in doubt. In previous years Network Homes has chosen to support a corporate charity, and this year it was London Air Ambulance, and Essex and Herts Air Ambulance. With characteristic enthusiasm, staff raised over £7,800 through a variety of activities, which brings the total raised by Network staff for charitable causes over the last three years to well over £100,000. While this commitment to giving back is inspirational, the Board agreed we could be doing more to help the most needy in society, which is why it took the decision to launch a new charitable fund for 2020-21 with a budget of £100,000.

While we have become accustomed to successfully responding to the challenges presented by political uncertainty and a difficult property market, we are currently facing an unprecedented challenge in the form of the global COVID-19 pandemic. I have been impressed with how well our business has adapted and how our staff have responded enabling us to continue to deliver our core services, and support some of our most vulnerable residents during this time. But we cannot underestimate the long-term impact of this challenge, both on the economy and society as a whole.

As always, I would like to sincerely thank our dedicated Board, committee members and Resident Panels who give up their time to help Network to achieve its goals, the Executive who have continued to lead the business through these increasingly challenging times, and our committed, caring staff of whom I am immensely proud.

Bernadette Conroy, Chair
Network Homes Limited

Group Chief Executive's review

I am proud of how Network Homes has performed in what can only be described as difficult and uncertain times.

Whilst the general election delivered a decisive outcome, potentially presaging a period of much needed political stability, Brexit continues to create uncertainty and as I write, we are in the midst of one of the greatest challenges our country has faced in a generation with the global COVID-19 pandemic.

Network Homes has been resilient during the coronavirus outbreak. Our income has remained stable and our business continuity plans have proven to be robust. The significant investment in our IT systems in recent years has paid off, with the majority of our staff being able to work seamlessly from home during the lockdown, meaning we have been able to continue to deliver essential services to our residents. At the time of writing, we are starting to adapt to an easing of the lockdown measures, but we are mindful that the resulting economic impact is likely to be significant and lasting.

Whilst we have adapted well as a business, we understand that many of our residents are facing financial stress and our usual bespoke and compassionate approach will be used to support all those who need it throughout this time.

There remained considerable uncertainty in relation to the housing market in quarter four of 2019-20 and conditions were made even more challenging by the housing market freeze during the early days of the coronavirus outbreak. Both the wider economic impact and outlook for the housing market remain uncertain. Investment in new and existing homes has the potential to support economic recovery but immediate public sector action to support this is likely to be limited by the extraordinary amounts of funding already committed in response to COVID-19.

Although it seems a very long time ago now, there were some encouraging announcements for housing from the 2020 Budget. In particular, the confirmation that the affordable homes programme will be expanded beyond 2021 was most welcome. This will give housing associations like Network greater certainty and confidence to pursue our ambitions to build the thousands of affordable homes our country so desperately needs. The announcement to expand the housing infrastructure fund was also very welcome and will be crucial to unlocking land to build more homes and help new and existing communities to thrive. We are committed to working closely with our local authority partners to support their growth plans and increase the delivery of new affordable homes in the areas that need them most.

Building safety continued to be a major priority for Network Homes during the year and will continue to dominate the agenda for the sector in the foreseeable future. We established a dedicated building safety team, bringing together skills and expertise from across the business to give strategic priority to our programme of investigations and remedial works. The consolidated and clarified advice note issued by government in January 2020 was much needed, but there is still ambiguity over the impact of guidance on buildings below 18 metres in height. This needs to be addressed by government to avoid an exponential increase in the scale of the problem and many more leaseholders being unable to sell their homes. The announcement of a £1bn building safety fund in the Budget and subsequent announcement that this will be available to the social housing sector was welcome, but the reality is thousands of leaseholders still face prolonged disruption as the work is carried out.

While we still await the publication of the government's response to the Social Housing Green Paper consultation, we have proactively improved our offer in terms of resident engagement. The Board's approval of a new fifth strategic objective for Network Homes which focusses on improving our residents' trust in us was developed working in close partnership with our residents and demonstrates our commitment to being as open and transparent as we can be. There is still work to be done to develop an effective method for measuring our performance on trust, but the adoption of this new strategic objective is an important marker point, as resident engagement becomes one of our top priorities as a business alongside our other corporate objectives of maximising growth within our resources, delivering first class customer service, increasing financial strength and building a great organisation.

Despite the challenging economic environment, we have continued to build the homes our communities need. Main development highlights during 2019-20 include our completion of the £34m regeneration of the Ridgeway in East Hertfordshire where, working in close partnership with East Herts Council and Homes England, we have transformed an outdated and poor quality 1960s estate into 120 new affordable homes for local families. We also celebrated a 'topping out' milestone at The Maddison building in Canary Wharf where we are bringing 104 much needed affordable homes through a Section 106 agreement with Tower Hamlets to one of the most expensive places to live in the capital. We also played our part in the ongoing delivery of the Park Royal Opportunity Area by starting work on 105 new affordable homes – part of a much wider project that will see substantial regeneration of the area. And in February, Network submitted its largest ever planning application to build 1,600 homes on land we acquired at Northwick Park Hospital in Brent, which will be a major contribution to the wider masterplan for the area.

We have also done much to enhance the communities we work in. During the year we completed the refurbishment of the Stockwell Hall of Fame – a graffiti pen at the heart of the Stockwell Park Estate, which has been in use for over 40 years and is one of few places where people can legally paint graffiti. We consulted extensively with residents and graffiti artists on the future of the pen, and the new space can now play host to outdoor art, films, sport and more. The revamped Hall of Fame is part of our wider £200 million investment into the regeneration of Stockwell Park Estate. Meanwhile in Ealing, on the edge of the Rectory Park estate which we are regenerating with 229 new homes, we created a new community orchard, planting 70 trees and over 5,000 bulbs for residents to enjoy.

A core duty as a social housing provider is to support our residents to sustain their tenancy. Many of our residents have continued to experience challenges with Universal Credit and our welfare advice team have helped some of the most vulnerable to claim over £2m in benefits during the year. For many residents, coming up to the end of their tenancy

Report of the Board

was a worrying and uncertain time and I am pleased the Board agreed to bring in lifetime tenancies for all our tenants, giving them future peace of mind and certainty their home will remain theirs for as long as they need it.

Our objective to build a great organisation requires Network to be an inclusive place. And making our organisation more reflective of the diversity of residents will help to strengthen trust. During the year we took steps to increase diversity, equality and inclusion at Network. We launched our Springboard development programme for BAME staff, which is designed to provide an enabling platform from which to compete for higher level posts. Nine women also completed our first Aspire development programme which is aimed at women in non-managerial positions to build confidence, influencing skills and assertiveness. Network also signed up to the HouseProud Pledge, a scheme designed to ensure lesbian, gay, bisexual, trans and queer (LGBTQ+) residents are able to enjoy their homes without fear of discrimination. And at the time of writing, we have published our 10 Point Plan setting out what actions we will take between 2020 and 2025 to ensure Network Homes is as equal, diverse and inclusive as possible.

The need for safe, secure and affordable homes in high demand areas remains as strong as ever. Network's greatest strengths have always been its adaptability, financial stability and its people and with these in place we can be confident we can continue to meet that need despite the huge challenges we face.

Helen Evans, Group Chief Executive
Network Homes Limited

Development Performance and Grant Programmes

During the year 302 (2019: 776) new homes were handed over into management.

In 2019-20, 208 homes were completed and handed over to the housing management or sales team. In addition to these, 94 were completed in 2018-19 but handed over in 2019-20.

The highlights of 2019-20 were:

- Submission of a planning application, alongside our One Public Estate partners, for 1,600 homes at Northwick Park.
- Completion and letting of our first Build to Rent scheme of 270 homes at the Big Blue in London Borough of Ealing.
- As part of our Strategic Partnership with GLA we started construction on 601 homes across 9 different projects over the year.

These and other smaller schemes are due for completion in the period 2018 to 2022 and will contribute to building over 2,100 homes.

Tenure	2020 Units	Funding Programme*	2019 Units	Funding Programme*
Social Rent	3	MHC 15-18 (9) AHP 15-18 (1)	10	MHC 15-18 (9) AHP 15-18 (1)
Affordable Rent	180	AHP 15-18 (60), MHC 15-18 (97), AHP 16-21(13), SOAHP 16-21 (10)	234	AHP 15-18 (17), MHC 15-18 (88), AHP 16-21(98), SOAHP 16-21 (23)
Shared Ownership	119	AHP 15-18 (33), AHP 16-21 (31), MHC 15-18 (36), SOAHP (16) 3 Units at Enswell house do not belong to any programme	250	AHP 15-18 (36), AHP 16-21 (104), HZ (20), MHC 15-18 (79), SOAHP (11)
Intermediate Rent	-		270	Housing Zone
Fixed Equity	-		1	AHP 15-18
London Living Rent	-		-	
Total handed over to management	**302**		**765**	
Private Sale	-		11	
Total	**302**		**776**	

**MHC = Mayor's Housing Covenant; AHP - Affordable Housing Programme; SOAP - Shared Ownership and Affordable Housing Programme*

Financial Review

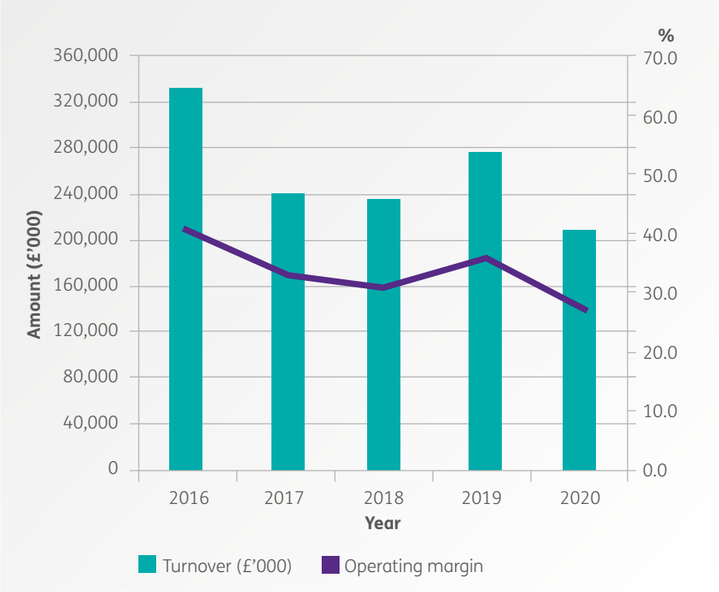
The Group achieved a net surplus of £21,122k (2019: £72,016k) for the year. Surplus has decreased by 70.7% and the major reason for this is the sale of student accommodation in Student First, a subsidiary of Network Homes in the last financial year.

The surplus on property sales was £12,820k (2019: £49,070k). All proceeds from property sales are reported under turnover and the costs to build under cost of sales.

Operating margin reduced by 9.4% from 35.3% in 2019 to 25.8% in 2020, mainly attributable to the decrease in property sales income.

The trend in turnover and operating margin over the last five financial years is shown by the graph to the right:

Network Homes Turnover and Operating Margin



The tables below show a summary of our consolidated financial performance and position over the last five financial years:

Consolidated Statement of Comprehensive Income summaries

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Turnover	205,654	275,053	234,433	241,897	329,695
Operating costs	(152,552)	(177,951)	(163,753)	(163,771)	(197,582)
Operating surplus	**53,102**	**97,102**	**70,680**	**78,126**	**132,113**
Share of joint venture profit/(loss)	-	347	(157)	-	-
Net interest payable	(32,043)	(25,430)	(26,050)	(25,796)	(29,139)
Restructuring of financial instruments	94	90	87	8,720	52,356
Tax	(31)	(93)	(234)	(9,228)	(7)
Surplus for the year	**21,122**	**72,016**	**44,326**	**51,822**	**155,323**

	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2020
Turnover (£k)	145,507	45,977	191,484	14,170	205,654
Surplus (£k)	32,254	15,109	47,363	5,739	53,102
Operating margins (%)	**22.2**	**32.9**	**24.7**	**40.5**	**25.8**
	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2019
Turnover (£k)	149,312	41,992	191,304	83,749	275,053
Surplus (£k)	42,707	14,086	56,793	40,309	97,102
Operating margins (%)	**28.6**	**33.5**	**29.7**	**48.1**	**35.3**

Total turnover reduced by £69,399k to £205,654k. Total operating surplus reduced by £44,000k to £53,102k. There was a large increase in operating surplus in 2019 which was mainly a result of the sale of the student accommodation in Student First, which was a one-off sale.

The net surplus of £21,122k (2019: £72,016k) comprises of operating surplus of £53,102k (2019: £97,102k), plus net impact of restructuring financial instruments of £94k (2019: £90k) less interest charges of £32,043k (2019: £25,340k) and corporation tax of £31k (2019: £93k).

The margins on social housing activity reduced from 28.6% to 22.2%. The reason for this drop is a drop in turnover in the 2019-20 financial year of £4,500k which was grant income received for fire safety works. Costs increased by £8,500k being works done on building safety as well as extra depreciation as a result of investment in our IT infrastructure. Other social housing activity margins reduced from 33.5% to 32.9% and non-social housing activity margins decreased from 48.1% to 40.5%.

Surplus on all sales reduced from £51,935k in 2019 to £13,003k in 2020. The main reason for such a big drop was the sale of the student accommodation in 2019 which accounted for £35,587k of the £38,932k drop.

Consolidated Statement of Financial Position summaries

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Total fixed assets	2,032,619	1,889,708	1,801,974	1,609,990	1,489,907
Net current assets	68,301	126,353	59,967	78,441	127,424
Total	**2,100,920**	**2,016,061**	**1,861,941**	**1,688,431**	**1,617,331**
Creditors due in more than one year and provisions	1,634,122	1,580,557	1,489,720	1,360,685	1,340,749
Total reserves	466,798	435,504	372,221	327,746	276,582
Total	**2,100,920**	**2,016,061**	**1,861,941**	**1,688,431**	**1,617,331**

At the end of the year, the Group's housing properties at cost less depreciation and impairment totalled £1,961,354k (2019: £1,828,315k). This value is reflected in the consolidated Statement of Financial Position.

The accounting policy is to hold the housing properties at historical cost. However, during the year, the Group undertook a professional revaluation of some of its housing stock by external valuers. The figures provided below are for information only. The indicative value of the Group's housing stock is as follows:

- Existing Use Value for Social Housing (EUV-SH) £1,759,600k (2019: £1,569,205k)
- Market value, tenanted (MV-T) £2,828,861k (2019: £2,652,220k)
- Vacant possession market value (VPMV) £5,487,353k (2019: £5,358,266k)

The Group continues to borrow to fund its affordable housing development programme. Housing loans increased from £923,704k to £1,031,289k (repayable facilities) but the amount borrowed is £1,034,907k (note 26). As at 31 March 2020, gearing based on borrowings against historic cost of properties for the Group was 53% (2019: 52%). The most common gearing covenant across the Group's bank facilities is 65% (2019: 65%).

COVID-19 pandemic

Our business continuity plans and prior investment in business transformation enabled us to work effectively and communicate extensively with colleagues and residents during the COVID-19 lockdown.

The primary initial impact of the pandemic was upon the health and incomes of our residents. We maintained regular contact with all of our residents in older persons schemes and successfully completed a project to contact other potentially vulnerable residents and signpost them to appropriate support where necessary. There was a significant spike in tenants making new Universal Credit claims, many of who we supported with our specialist welfare advice team, but by maintaining our usual compassionate and bespoke approach to income collection we have largely maintained collection rates. During the lockdown we focused our responsive repairs activity on emergencies but maintained statutory compliance activity. At the time of writing we are working through a backlog of day-to-day repairs and expect to reopen to responsive repairs, albeit with an expected lengthened time for resolution, in the near future. Almost all of our construction and building safety sites closed for a period during the lockdown but all have now reopened, with appropriate sanitation and distancing measures.

On-site distancing measures are likely to delay completions of new homes and related expenditure for a period of time. The economic impact of COVID-19 is currently unknown but could negatively impact upon the incomes of our residents, sales values, sales rates and as a result our income. Network Homes Ltd has stress tested its business plan against a range of scenarios, including extreme scenarios, and our judgement is that impacts arising from these scenarios can be contained. Mitigating actions, governance structures and template recovery plans to respond to stress scenarios have been prepared.

Building safety crisis

In 2019 we established a building safety team to lead our response to government guidance to ensure our buildings provide adequate protection against risk of fire. The team is coordinating investigations, interim safety solutions where necessary, and remedial work for around 70 Network-owned buildings and a number of other buildings where we are a leaseholder.

We are proactively communicating progress on building safety with affected residents. Fire Risk Assessments for our highest risk buildings are published on our website and our new customer portal provides building specific information for residents.

We completed two projects to remove ACM cladding, funded by the Greater London Authority and work is ongoing on two more developments. We intend to make maximum possible use of the £1bn building safety fund announced at Budget 2020 for further necessary remedial works.

Future trade relationship with the European Union

The United Kingdom left the European Union on 31 January 2020. During the current transition period negotiations are ongoing in relation to the future trading relationship between the United Kingdom and European Union. As the entirety of our operations and trading takes place within England the impact of these negotiations will be more limited upon Network Homes but they have the potential to mitigate against or add to wider economic uncertainty caused by the COVID-19 pandemic.

Sale of assets

During last financial year, Student First Limited, one of the subsidiaries of Network Homes, sold its only asset Grosvenor House, a property comprising of 169 self-contained bedsits situated in central London. The sale was completed in August 2018. The surplus on the sale was donated to Network Homes for its charitable obligations.

Capital structure

The Group is financed by a combination of retained reserves which are not distributable, long-term committed loan facilities from banks and other lending institutions and grants awarded by Homes England, the Greater London Authority (GLA) and other organisations to support development activities. Some bank loans are arranged through Network Treasury Services Limited ('NTSL'), the Group's treasury vehicle and on-lent to the Association. These loans are secured against assets of the Association. Total loan facilities as 31 March 2020 amounted to £1,419,407k, of which £1,034,907k (excluding amortised cost of £3,619k) had been drawn (as per table on page 14 and note 26).

In the year to 31 March 2020 the Association entered into new facilities with MUFG £100,000k and £35,000k with Local Authorities. The total Association's facilities as at 31 March 2020 amounted to £741,057k, of which £541,557k had been drawn (as per table on page 14 and note 26).

Tax Strategy

Due to its size, Network Homes is currently not required to publish its Tax Strategy publicly. As per the Finance Act 2016, we expect to reach the prescribed thresholds in the relatively near future. Network Homes believes that the early adoption of a Tax Strategy is a matter of good business practice. The Group has established procedures which support its aim, and we have no appetite to engage in activities which may compromise our ability to meet the expectations of HMRC and other key external stakeholders.

Treasury policy

Treasury services are provided to the Group by the Association.

Each year the Group's Board approves the treasury management strategy and updates to the treasury policy for the Group. This policy addresses issues including funding and liquidity risk, covenant compliance and investment policy. In addition, the Group Board receives reports on treasury activities. Treasury management activities are regularly monitored by the Finance Committee.

The Group borrows at both fixed and floating interest rates, with the treasury policy requiring a minimum of 50% of drawn debt to be at fixed interest rates or hedged. As at 31 March 2020, 77% (2019: 82%) of the Group's debt was at fixed rates and 23% (2019: 18%) at floating rates.

The Group's treasury team monitors covenant compliance on a regular basis and is required to report on it to the lenders on a quarterly basis. At 31 March 2020 the Group complied with its loan covenants. The business plan projects that it will continue to do so in the future.

The borrowings summary and repayment schedule below are stated net of amortised costs (note 27).

Investment policy

At 31 March 2020 the sinking funds in place were in respect of:

1. The Housing Finance Corporation (THFC) 2043 Bond
2. Affordable Housing Finance (AHF) 2042 Bond and
3. Affordable Housing Finance (EIB).

THFC 2043 Bond

A 4.5% gilt with a maturity date of 2042 and a carrying value of £6,384k with a nominal value of £5,200k is held in an Interest Service Reserve Fund.

If held to its maturity date in 2042 the proceeds of the gilt in the Interest Service Reserve Fund will amount to the par value of £5,200k. The excess carrying value in the amount of £1,184k is currently being amortised over the remaining life of the gilt.

However, the gilt was sold in April 2020 and a gain is realised. £5.2m of the proceeds were reinvested into term deposits to comply with the Interest Service Reserve Fund provisions of the bond.

A Sinking Fund of £544k is held by THFC as replacement for security to account for sales of shared ownership properties (2019: £1,250k). Some funds have been released following revaluation.

Affordable Housing Finance 2042 Bond

There is currently a Liquidity Reserve Fund of £1,168k (2019: £1,158k)

Affordable Housing Finance (EIB)

There is currently a Liquidity Reserve Fund of £1,024k (2019: £1,023k)

Review

In light of prevailing market conditions, the investment strategy is constantly under review to ensure that the Group's risks relating to the capital invested and income accrued to date are protected so far as possible.

Cash flows

The statement of cash flow on page 36 shows that during the year the Group generated net cash inflow from operating activities of £39,751k (2019: £44,487k), made interest payments of £39,985k (2019: £31,081k) and invested a net £116,613k (2019: £88,787k) in assets.

Liquidity policy

The liquidity policy is to retain sufficient liquidity to fund the business for the next 18 months, while allowing for some uncertainty in sales receipts. This was reviewed and upheld in April 2020. Liquidity is defined as cash and facilities available to be drawn at any time. At least £50m must be held in liquid cash deposits. The treasury policy ensures loan facilities are in place to fund future requirements. At 31 March 2020, the Group had £67,051k (2019: £75,766k) in cash and bank, of which £55,520k (2019: £63,779k) was held as money market cash deposits as part of the Group treasury policy.

Short-term cash balances are placed in AAA rated money market funds or short-term deposits at competitive rates with A1/P1 rated banks or main UK clearing banks.

Security

As at 31 March 2020 all bank facilities were secured against a portfolio of the Group's properties, however the Group does also have some unsecured non-bank funding, The EUV-SH for the properties charged was £1,286,677k (2019: £1,119,701k) and the number of properties charged was 12,371 (2019: 12,025). There are 4,483 units not charged to existing loans.

Summary of borrowings

	2020 £'000	2019 £'000
Fixed	799,098	757,212
Variable	235,809	166,492
Total drawn	**1,034,907**	**923,704**
The debt falls due for repayment in:		
Less than one year	74,747	27,368
Between two and five years	183,546	147,493
After five years	776,614	748,843
Total drawn	**1,034,907**	**923,704**

Report of the Board

Value for Money Statement for 2019-20

Value for Money

As a regulated housing association we are required to adhere to the Value for Money Standard produced by the Regulator of Social Housing. This Standard requires housing associations to report against seven key financial metrics. Associations can supplement these with further internally developed metrics which demonstrate value for money by showing how the organisation is progressing towards meeting its strategic objectives.

There is deliberate overlap between the seven VFM Standard financial metrics and the Sector Scorecard benchmarking, which has been formally adopted by housing associations in England, including Network Homes Ltd. The final benchmarking results will not be available until Autumn 2020 but our performance is set out below.

We set four strategic objectives and accompanying ambitions, in our Five Year Strategy approved by the Executive Board in May 2018. In January 2020 we added a new strategic objective, Strengthening our residents' trust in us, to drive an organisational focus on resident engagement, openness and transparency. Residents have told us that trust is strongest when we do what we said we were going to do so this will apply a continued focus on service improvement.

The impact of this measure will not be felt immediately but there are concerted efforts ongoing to roll it out including requiring all employees at Network Homes to be set annual targets related to this strategic objective to ensure it has practical application and real impact.

Maximising growth within our resources
Ambition: 5,000 new homes in 5 years

Delivering first class customer service
Ambition: 90% overall customer satisfaction

Increasing financial strength
Ambition: 35% operating margin on core social housing business

Building a great organisation
Ambition: A Sunday Times Best 100 Company to Work For.

Strengthening our residents' trust in us
Ambition: 10% annual improvement

The Board also approved a 'roadmap' of targets, which we use to monitor progress towards the five year ambitions on a year by year basis. We have included our third year results with any pre-existing target for 2019-20 shown, where applicable. Further metrics will be added in as data becomes available.

VFM standard

The Group's current position on the seven VFM Standard financial metrics and the internally driven metrics linked to our strategic objectives is as follows:

Measure	2020	2019
Ambition: 35% minimum net surplus on social housing business		
Reinvestment %	4.8	11.1
New supply delivered: absolute (social and non-social)	302	776
Gearing %	46.2	43.8
EBITDA MRI Interest Cover %	107.2	285.1
Headline social housing cost per unit	5,700	5,149
Operating Margin (social housing lettings only) %	22.2	28.6
Operating Margin (overall) %	24.0	34.9
Return on capital employed (ROCE) %	2.5	4.8

	2020	Target	2019
Ambition: 5,000 homes in 5 years			
Homes completed and handed over	302	390	776
Homes started	601	1,000	59
% homes started for social rent; LAR; LLR; s.106 LA rent	51%	>25%	42%
% secured pipeline affordable tenures	76%	60%	91%
Secured pipeline	2,873	1,800	1,728
Customer satisfaction with new homes	82%	85%	73%
Ambition: 90% overall customer satisfaction			
% satisfied with Network Homes services	85.0%	90.0%	88.3%
% satisfied with repairs service	80.5%	85.0%	82.8%
Rent collected % (general needs and HfOP)	100.3%	100.0%	98.5%
Occupancy % (GN and HfOP)	98.6%	99.0%	97.8%
Ambition: A Sunday Times Best 100 Company*			
Sickness absence (average days)	5.1	4.50	5.1
Staff turnover (voluntary)	12.6%	12.0%	13.5%

** Following the Times Top 100 Best Companies survey the previous year (when Network Homes was ranked 39th best not-for-profit organisation) a new survey has been planned to take place in 2020-21, with an ambition to achieve the highest 3 star rating.*

The Group's current position on the Sector Scorecard measures is as follows:

	2020	2019	G15 Median 2019
Operating Margin (overall)%	24.0	34.9	26.0
Operating Margin (social housing lettings only) %	22.2	28.6	33.0
EBITDA MRI Interest Cover %	107.2	285.1	143.0
New supply delivered % - Social housing units	1.5	3.9	1.5
New supply delivered % - non-social housing units	0.0	0.1	0.6
Gearing %	46.2	43.8	45.0
Reinvestment %	4.8	11.1	6.0
Investment in communities	314,087	309,000	2,600,000
Return on capital employed (ROCE) %	2.5	4.8	2.9
Occupancy % (GN only)	98.60	99.00	99.00
Ratio of responsive repairs to planned maintenance	0.50	1.25	0.64
Headline social housing cost per unit	5,700	5,149	4,839
Management cost per unit £	1,815	1,678	1,332
Maintenance cost per unit £	699	965	1,166
Major Repairs cost per unit £	1,402	774	1,077
Service charge cost per unit £	887	719	767
Other social housing costs per unit £	897	1,103	450
Rent collected as % of rent due (GN)	100.8	99.1	99.9
Overhead costs as a percentage of turnover	7.80	7.50	9.7
Customer satisfaction	85.0	88.3	77.5

The building safety crisis has dominated our business this year but on many important metrics, Network Homes is performing well. We remain focused on our social purpose as an organisation and are pleased to report that the percentage of homes in our pipeline for affordable tenures and for 'genuinely affordable rents' is well above our internal minimum targets. Despite the decrease in operating margin due to continued investment in building safety and technology, significant operational improvements have been made resulting in a sustainable reduction in our standard operating costs.

The new strategic objective on strengthening residents' trust in us has been part of a concerted effort to refresh our resident engagement activity in 2019-20. This helped in the production of a revised Customer Charter launched this year to re-affirm our responsibilities as a landlord and clarify residents' obligations. Part of this involved clearer explanation of repairs which were tenants' responsibility, as a result the number of responsive repairs reduced significantly (even before the lockdown), resulting in a 27.6% reduction in maintenance cost per unit.

As anticipated, the change had some initial negative impact on residents' satisfaction. However, the monthly trend has switched back to positive in the last few months of the financial year, with the monthly satisfaction result for March exceeding 85% annual average. We will continue improving residents' satisfaction through the work on the new strategic objective on strengthening residents' trust in us.

The £8.5m increase in operating costs is largely accounted for by investment in building safety and technology. Our residents' safety and wellbeing remain our top priority. We are committed to proactively adopting Hackitt Review recommendations and have created a cross-organisational taskforce to manage progress.

Investment in technology has proven to be especially timely, enabling a seamless transition to home working during the lockdown caused by the pandemic. The deployment of new systems and laptops has enabled minimal disruption to the services during the lockdown, with 99% of employees working from home.

Report of the Board

Value for Money Statement for 2019-20

The small number of colleagues unable to carry out their duties from home were redeployed into resident-focused activities. This allowed us to avoid having to use the government's furlough scheme, ensuring that any available support is prioritised for the communities we serve, placing our residents' needs above pure financial considerations.

The operating margin on social lettings has been affected partly by the decrease in turnover from 2018-19, which included a combination of one-off grant and compensation payments the previous year.

Our rent and service charge collection rates have exceeded 100% this year, putting us in a strong position considering the potential longer-term impact the COVID-19 lockdown might have on the economy and our residents.

Increase in overall cost per unit was driven largely by the greater volume of major repairs carried out during the year, coupled with higher service charges, covering some of the measures put in to ensure ongoing building safety while remedial works are carried out.

As part of our ongoing efforts we have calculated our underlying headline indicators in the absence of the following activities:

Private Sector Leasing: The Network Homes board approved the disposal of the PSL portfolio in 2018. We have since negotiated with a number of potential recipients of this portfolio and have signed transfer agreements for the portfolio, with the final units now due to transfer in August 2020.

Building Safety Expenditure: As a result of our commitment to resident safety we have embarked on an organisation-wide process to investigate, make safe and remediate those of our buildings which do not currently comply with the government's revised advice note. This has resulted in the organisation incurring substantial additional costs. These cost pressures are likely to remain for the foreseeable future.

Business transformation depreciation: We embarked on our business transformation initiative in 2017, with a view to making the organisation fit for the future, update our IT infrastructure and ensuring that the organisation's systems are resilient. This has required substantial expenditure in the 2018-19 and 2019-20 financial periods which in turn have produced an increased depreciation burden on our 2019-20 financial results.

Without the above items, our underlying headline VFM performance would be as follows:

- Social Housing Cost Per Unit - £4,794
- Operating Margin (Social only) – 26.2%
- Operating Margin (overall) – 27.2%

Report of the Board

Statement of Group corporate governance

Report of the Board

Statement of Group corporate governance

The governance of the Group is summarised in the following paragraphs.

Network Homes Limited is a charitable Registered Society (registration number RS007326) under the Co-operative and Community Benefit Societies Act 2014. Network Homes is a registered provider of social housing (registered provider number 4825), and a member of the National Housing Federation. The Group is regulated by the Regulator of Social Housing.

As the parent company, Network Homes Limited has overall control of the business of the Association and its members. It will assist and support all subsidiaries in achieving compliance with regulatory requirements.

The Board's responsibilities are set out in detail in the Board's Terms of Reference. On 31 March 2016, SW9 Community Housing became a subsidiary of Network Housing Group (now Network Homes Limited) and since that date has taken over property management services that were previously provided by Community Trust Housing. SW9 is a charitable company limited by guarantee (number 09574528).

This relationship is governed by an Intra-Group Agreement, Management Agreement and Options Review Agreement between the two entities as well as the Articles of Association of SW9 Community Housing.

These agreements establish control of SW9 by the Group. This requires consolidation of SW9 Group results.

Governance review

An independent review of the Group's governance was conducted in July 2019 by Campbell Tickell. This review concluded the arrangements were compliant with the industry's NHF Code of Governance 2015.

Risk management

Risk management procedures and considerations are embedded in the culture of Network Homes Limited with staff taking responsibility for identifying and assessing the risks faced by the Group and using a risk management framework to manage these risks.

The following committees have been established by the Board to consider specific aspects of the Group's affairs, providing recommendations and support to the Group and subsidiary boards.

The Chairs of the committees report back at the next Board meeting following each committee meeting. The committees and their main roles and responsibilities are set out in written terms of reference and summarised below. This is true as at financial year end, 31 March 2020. The responsibilities for finance and treasury matters were delegated to the Finance Committee for Network Homes Limited and Network Treasury Services Limited (NTSL) Board on 26 March 2019. Prior to that date, all finance and treasury matters were delegated to the NTSL Board, a subsidiary within the Group.

Audit and Risk Committee (ARC)

- reviews audit and risk management activities across the Group and delivers an annual assessment of the quality of the internal control environment and the effectiveness of risk and audit systems to Group Board;
- provides assurance to subsidiary boards on all matters covered by the compliance framework;
- keeps under review the effectiveness of the Group's internal controls and risk management systems;
- monitors risk management activity across the Group to ensure consistent and effective usage of internal systems, and identify trends and aggregate risks;
- monitors the Group's financial performance against its business plan and budget targets;
- monitors the impact of the external environment on Group's financial status;
- considers and reports on financial implications of other significant risks and exposures being undertaken by the Group; and
- acts on behalf of the Group in reviewing and approving changes to financial delegations.

Customer Services Committee (CSC)

- agrees customer facing strategy and policy and oversees performance so that Network meets its strategic objective of delivering a first-class customer service ensuring compliance with legal and regulatory requirements;
- is responsible for meeting the consumer standards and providing assurance to the Board of compliance; and
- ensures customer facing services are value for money and these are continually improving.

Investment Committee (IC)

- recommends the Group's investment strategy to the Group Board and subsidiary boards;
- monitors the performance and delivery of the development programme, including post implementation review, and other new business activity against the investment strategy and agreed targets;
- scrutinises proposed investments before submission to subsidiary or Group boards for decision; and
- monitors the Group's resource capacity and capability to deliver the programmes.

Finance Committee (FC)

- sets the treasury strategy for the Group;
- reviews treasury activities and cash management on behalf of the Group board, making recommendations as appropriate;
- has responsibility for recommending financial targets for the Group and the annual consolidated budget to the Network Homes Board;
- examines business plan models, targets, key assumptions, scenarios and sensitivity tests – at least twice per year;
- monitors financial outcomes and forecasts against budget, including receiving quarterly dashboard reports on the Group performance;
- initiates 'deep dive' reports into areas of financial performance that give rise to concern;
- considers and approves the write-off of individual unpaid debts in excess of £5k, notifying the Group Board if deemed necessary;
- recommends central services and development cost apportionments to the Group;
- advises the Group Board on financial strategy for mergers and acquisitions,

including consideration of financial due diligence reports for new business opportunities, making recommendations to the Group Board as appropriate;

- reviews the Group's insurance portfolio and self-insured risks annually;
- considers the VFM strategy including commissioning value for money and efficiency reviews of operational areas, including appropriate benchmarking, providing challenge and assurance, making recommendations to Group Board as appropriate;
- reviews the long-term financial model, tests scenarios including risk stress testing and recommends financial targets to the Group Board;
- reviews the Pension strategy and contingent liabilities exposure; and
- reviews and recommends any other financial reports as appropriate.

People, Governance & Culture Committee (PGCC)

- has responsibility for overseeing the Group's remuneration policies for paid staff and for non-executive members of the Group Board and the subsidiary boards. It has particular responsibility for keeping under review the terms and conditions of employment of the Group Chief Executive and other members of the Group Executive Leadership Team (ELT);
- oversee the governance arrangements within the Group, including the adoption of and adherence to the Code of Governance, board and committee succession planning and appraisals, and the recruitment and induction of new board and committee members; and
- is responsible for overseeing the recruitment of new independent Board members for the Group Board and making recommendations on appointments to the Group Board and Group committees.

Each corporate Group member is responsible for producing a risk map for its own business activities. The corporate risk map, which contains strategic level risks is produced and reviewed by the Executive Leadership Team and is informed by information from directorate risk registers.

There are four officer led risk panels. The Risk Panel, which comprises the Chief Executive, other executive members and the Senior Internal Audit Manager, reviews the corporate risk map and the operational/functional risk maps for consistency and completeness. The Risk Panel is responsible for ensuring that actions identified in the risk maps are followed through. The Scheme Risk Appraisal Panel reviews risks associated with development schemes. The Building Safety Operational Group is a sub-Committee of SRAP and exists to review, monitor and determine matters that relate to Building Safety Operation strategy, budget, and spend within delegations awarded to SRAP. The Health and Safety Panel reviews and considers risks, issues, control and management of the Group's health and safety arrangements.

Statement of compliance

The Group confirms that the Report of the Board has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2014 SORP for registered social landlords. The Board confirms that the Group has assessed its compliance with the Governance and Financial Viability Standard at least once during the year and they certify that the Group is in compliance with the Governance and Financial Viability Standard in all areas.

Significant risks 2019-20

The significant risks below are as discussed and agreed by Network Homes' Audit and Risk Committee in April 2020. Due to the evolving situation relating to the COVID-19 pandemic a separate update gave the opportunity to discuss the potential impact of that crisis upon our business. Whilst the crisis and the economic conditions which follow will undoubtedly have an impact upon our operations, our fundamental business model remains strong. We provide below market rate homes for households in need in areas of the country with the greatest housing need. Many of our residents have already experienced income shocks and many more could do so into the future. The - near unprecedented - extraordinary levels of individual support that the Government has put in place, combined with our existing compassionate and bespoke income collection processes should limit impacts upon our rental income.

Significant risks 2019-20

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Business Continuity risk due to the **COVID-19** outbreak.	Business Continuity Group	• Business Continuity Plans in place and subjected to resilience testing to confirm remote working capabilities by entire workforce simultaneously. • All staff requested via Cascade to read Business Continuity Plan. • IT kit upgraded and issued to employees in 2019 as part of Business Transformation programme. • Daily meetings of ELT. • Daily briefings to SMT. • SMT pass information on to their teams. • Weekly Q&A forum with ELT. • Weekly board meetings • Bi-weekly liquidity reports to Finance Committee • Weekly Debt Oversight Panel meetings	• Successfully enabled 99% staff to move overnight to predominantly home-working. • Successful resilience testing. • Effectiveness of communication processes confirmed. • Daily health statistics produced by HR. • Monthly reporting on insurance and legal contractors undertaken with reporting against KPIs agreed through the original tender/framework • Continuing our compassionate approach to income collection which supports those experiencing financial shock on a bespoke basis – including through helping them maximise the benefits they can claim.
Failure to manage building safety issues resulting in a resident Health and Safety risk with potential negative reputational impacts upon Network with our customers, stakeholders and in the sector more generally.	Executive Director of Customer Services	• Monthly internal meetings that review all known latent defects. • Latent Defects Reports to SRAP and IC.	• Ongoing remedial works at Capitol Way and Park Heights. • Regular resident comms and meetings and standing watch where required. • Remedial works at Capitol Way are now underway. Shepherd Construction has now ceased works on the remedial project. A new contract has been executed between Royal London and Charles Edward Interiors to complete the works. The contract was agreed in January 2020 and the revised programme shows completion of Bree in July 2020 and Avery in October 2021. Royal London has appointed Lawtech to complete all external defect works and it is likely works will commence in April 2020. • Remediation of balcony glass at Ealing Road is nearing completion, with only two properties pending access. All protective measures beneath balconies has been removed with the exception of the two properties with access outstanding. Works on replacing balcony glass at Matthews Close have commenced, with blocks being scaffolded. Completion is anticipated in August 2020.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Failure to remain compliant with building safety requirements (gas, fire, electric, etc.) resulting in potential negative reputational impacts upon Network with our customers, stakeholders and in the sector more generally.	Executive Director of Customer Services	• Annual gas safety servicing programme • Co2 detectors checked and fitted across stock as part of gas safety check. • New development handover processes implemented to ensure gas equipment is added to servicing schedules before properties are occupied. • All FRAs are complete. • Lift contractor completes monthly servicing and annual inspections. Zurich complete 6 monthly inspections as our insurers. • Programme of 5-year electrical dwelling and communal testing. • Electrical tests take place at each void. • Risk based asbestos analysis of whole stock completed. • Water safety testing and inspection programme in place.	• Monthly KPI submission by contractors. • LGSR certificates. • Gas compliance is monitored monthly and in the last year has fluctuated between 99.8% and 100%. • FRA documents. • Review of fire safety policy undertaken by Savills. • Lift inspection records and Zurich certificates. • EDM storage of electrical certificates. • Asbestos surveys, testing and removal records. • Water safety maintenance schedules. • ROSPA Gold Award.
Cash flow liquidity and access to new funding (and existing facilities).	Executive Directors of Finance and Development	• Stress Tests within Network Homes Business Plan. • Monthly cash flow review meeting. Monitoring Anticipated v Target. • Market awareness provided by Valuers' three-month valuations. • 'Plan B' strategies for high risk sites devised. • Early Sales strategies including off plan and early availability of 'show apartments'.	• Frequency of Development Programme Stress Test paper to SRAP and IC has been upgraded to quarterly. • A 25% reduction in sales proceeds is included as a contingency when the liquidity requirement is forecast. • Funding extensions completed and new facilities secured. Multiple funding options available including unsecured and extensions. Offer from local authorities received.
Poor resourcing results in: - failure to attract and retain good staff; - ineffective workforce planning; - lack of establishment control; - lack of succession and talent management; - poor employee engagement; and - failure to deliver strategic objectives.	Executive Director of People & Technology	• Workforce Establishment policy and process. • Recruitment & Selection Policy • Structure charts. • Monthly FTE reporting. • Authority to recruit process and authorisation. • Recruitment and retention monitoring. • HR on interview panels	• Salary reference points introduced to remove minor differentials in benchmarked salaries. • Website updated and still being improved. • Work has started on a resourcing strategy to include talent pipeline mapping and career pathways.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Adverse political decisions on independence, rents, welfare reform and any other matter which potentially might undermine the operating model.	Executive Director of Business Performance & Partnerships	• Rents within the market are monitored regularly at a local authority level. Many Network rents are determined by the grant programme conditions set by GLA/Homes England. Choices made re whether to bid for grant. • Rents are set within the existing Affordable Rents Policy. • Changes in political and economic policy continually monitored through Strategy & External Affairs team. • Board reviewed current Strategy and Policy in March 2018.	• Weekly monitoring of environment, plus Quarterly Market Review. • Close political engagement at a national, regional and local level, enhanced by Chief Executive's current position as Chair of G15 largest London housing associations. • Rent arrears and voids monitoring. • Shared ownership sales rate monitoring. • New Rent Standard which is expected to run through to 2025. • Development programme commitments re-examined in light of changing economic conditions. • Segmentation analysis of customers in rent arrears coming onto Universal Credit undertaken and proactive actions being taken by the income team show that (after a period of disruption) tenants on Universal Credit are averaging similar levels of arrears to tenants on legacy benefits. • Research and analysis being undertaken of how other major HAs assess and control rents. • Development programme and commitments to be kept under continual review.
Poor data integrity, use of systems, information management and KPIs impacts on operational and strategic planning and achievement of key ambitions thereby increasing the risk of service failures and diversion of valuable resources to remedial actions.	Executive Director of Business Performance & Partnerships	• Performance and Data Quality Team. • Information Steering Group. • Data Quality Dashboard reported to ELT and Business monthly. • Exception and anomaly reporting e.g. Gas Reconciliation Report. • Data Quality and Protection policies and procedures. • Data Quality Strategy developed and approved. • Delivery of Information Management governance, performance and control. • Role-based access controls to systems.	• Role based system access requirements approach piloted and rolled out across business. • Office 365 Implementation design and rollout completed with a new security model and classification of data. • Customer Portal includes personal data capture facility • Data Quality champions concept approved by IMSG and project started, with Data Quality champions. • Ongoing work on data integrity and Northgate.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Cyber security and fraud results in financial loss and reputational damage as a result of business interruption, loss of resident and stakeholder confidence and regulatory penalties.	Executive Director of People & Technology	• Anti-virus software • Firewall • Security configuration • Back-up to tapes in secure storage • Website externally hosted • Secure mobile email • Restricted access to Cloud storage	• Anti-virus logs monitored by IT • Internal firewalls developed • Penetration tests by third party carried out • Anti-ransom appliance – enhanced email filtering – Mimecast installed for email security/secure gateway • Phishing awareness test • Analysis against National Cyber Security 10-point plan • Feedback given following further phishing attempt. • Training integrated into iWOW training and DeltaNet online training
Vulnerability to fraud both internal and external results in loss of assets, regulatory and reputational damage.	Executive Director of Finance	• Internal audit and external audit. • Anti-Fraud Bribery and Corruption Policies and Procedures. • Counter-Fraud work plan implemented by Internal Audit that includes pro-active fraud reviews and fraud awareness training. • Tenancy Fraud policy. • Centralised procurement function. • Contract Standing Orders.	• Counter-Fraud work plan implemented by Internal Audit that includes pro-active fraud reviews. • Fraud awareness training completed. • Tenancy Fraud Officer produces monthly status reports for Internal Audit. • Top Spend reports developed.
Breach of **loan covenant** impacts ability to drawn down existing debt and/or raise new finance.	Executive Director of Finance	• Post amalgamation loans matrix in place. Has been prepared by lawyers; this lists various clauses from the loan documents where consent may be required. • Schedule of information requirements is maintained. • Covenants are forecast against the business plans and dashboard in place to monitor headroom in covenants.	• Regular reporting to Finance Committee on covenants. • Business Plan forecasting to Finance/ Investment Committee. • Regular reporting to NTSL/FC on security charging position.

Report of the Board
Statement of Group corporate governance

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Climate emergency negatively impacts on the health of our residents and the physical condition of our homes – government responses to it and associated aim of achieving net zero carbon emissions by 2050 add additional costs to our business and to our residents.	Executive Directors of Finance & Governance	• Revised stock condition information which includes energy performance data and stock investment requirements. • Assessing potential investment requirements to make stock compliant. • Monitoring potential impact on buildings or people through health and safety and asset management. • Economic and political horizon scanning. • Potential health & safety impact on residents monitored extensively.	• Commenced discussions with external providers with a view to identifying funding mechanisms for sustainability • Sustainability project team established with leads across all directorates and external consultation support established. Managers engaged in proposed activities at recent managers conference and planned full staff engagement at Network Thinks event. • Intention is to bring the draft strategy to the Board in July 2020 • Expanded tree-planting at the new Orchard at Rectory Park to improve biodiversity and the local environment. • Tree planting days held on 26 and 28 November.

Internal controls assurance statement
The Board has overall responsibility for establishing, maintaining and reviewing the effectiveness of the system of internal control.

The system of internal control is designed to manage risk and provide reasonable (not absolute) assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information, the safeguarding of Network's assets and interests and compliance with relevant legislation, law and regulations. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Assurance framework
The assurance framework adopted by the Board is based on the "Three Lines of Defence Model" endorsed by the Institute of Internal Auditors and the Financial Conduct Authority. The assurance framework is designed to provide sufficient, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved value for money.

Key elements of the control framework include:

Risk assessment
In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes. By embedded we mean that the controls are considered to be integral to the day-to-day procedures of the organisation.

Executive responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Executive Leadership Team (acting as the Risk Panel) carry out evaluations of the risks which impact on the Group's ability to meet key business objectives. Risk assessments are carried out throughout the year and are aligned to the business planning process. Business risk assessments are also carried out throughout the Group at departmental levels, for projects and for new business opportunities. This process is applied through a quarterly reporting framework co-ordinated by the Risk Panel.

The Executive Leadership Team considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting any significant changes affecting key risks or the breakdown of internal control. The Group's most significant risks are further analysed, quantified, and reviewed by the Risk Panel presented to the Audit and Risk Committee for further analysis and approval and then reported to the Board.

Monitoring
As part of the risk management process, managers carry out control evaluation relating to key risks and confirm that key controls are in place and are working effectively or require improvement. Actions arising from identified control weaknesses are documented in the risk assessment. Management reporting on control provides hierarchical assurance to successive levels of management and to the Board. A process is in place for corrective action in relation to any material control issues arising from independent internal and external audit reports. The Audit and Risk Committee (ARC) reviews the work of the internal and external auditors whose annual reports are received by the Board.

The Internal Audit function carries out risk-based internal audits across the Group. The ARC approves the audit plan and receives an annual report and Assurance Statement on internal control effectiveness. The Board receives a copy of this report. The internal control framework and the risk management process are subject to review by Internal Audit, which is responsible for providing independent assurance to the Board and the ARC.

Control environment and activities
The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board has adopted the National Housing Federation's Code of Governance 2015. This sets out the Group's policies with regards to the quality, integrity and ethics of its employees.

The governance framework is supported by a framework of policies and procedures with which employees must comply. Standing Orders and Contract Standing Orders cover issues such as delegated authority, segregation of duties and procurement. Other Group policies cover health and safety, data and asset protection and fraud detection and prevention. During the year the ARC approved the Group's annual counter fraud work plan.

The Group complied with the Code of Governance.

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

Guidance has been produced on the responsibility at Board level for audit, risk and control issues across the Group.

The Group's Board has received the Chief Executive's annual assurance statement on the effectiveness of internal controls; has conducted its annual review of the effectiveness of the system of internal control and has re-confirmed the organisation's risk appetite.

Continuous improvement

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

The Board has reviewed the effectiveness of the systems of internal control, including the agreed sources of assurance and confirms they are appropriate for that purpose.

The Board is satisfied there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. Up to the date of signing of these financial statements those systems were directed at the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss that would have required disclosure in the financial statements.

Statement of Board's responsibilities

The Board is responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation and regulation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider of Social Housing (RPSH) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and ensure they are applied 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RPSH will continue in business.

The Board is responsible for keeping proper accounting records. These must be sufficient to show and explain the RPSH's transactions, disclose with reasonable accuracy at any time the financial position, and enable the Board to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2015. It is also responsible for safeguarding the assets of the RPSH including taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and its subsidiaries included in the consolidation, together with disclosure of the principal risks and uncertainties they face.

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

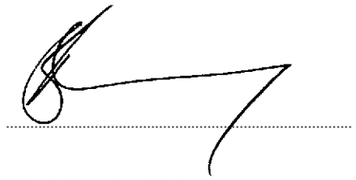
Disclosure of information to the auditor

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 audit information of which the Group's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

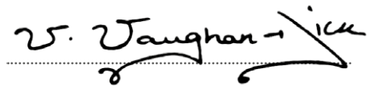
Independent Auditor

The report of the Directors incorporating the strategic report was approved on 28 July 2020 and signed by order of the Board by:

Bernadette Conroy,
Chair



Valerie Vaughan-Dick,
Board member



Independent Auditor's report

to the members of Network Homes Limited for the year ended 31 March 2020

Independent Auditor's report

to the members of Network Homes Limited for the year ended 31 March 2020

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent 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 board members responsibilities statement set out on page 29, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's report

to the members of Network Homes Limited for the year ended 31 March 2020

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.

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

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

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

BDO LLP

BDO LLP
Statutory Auditor
London

Date: 7 August 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated and Association Statement of Comprehensive Income for the year ended 31 March 2020

		Group		Association	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	3	205,654	275,053	192,636	199,646
Cost of sales	3	(29,341)	(51,286)	(26,208)	(23,012)
Operating costs	3	(123,211)	(126,665)	(114,588)	(116,762)
Gift aid receivable		-	-	3,264	43,184
Operating surplus		**53,102**	**97,102**	**55,104**	**103,056**
Interest receivable and other income	7	511	1,101	783	1,164
Restructuring of financial instruments	7	94	90	94	90
Interest and financing costs	8	(32,554)	(26,531)	(33,188)	(28,738)
Share of joint venture profit	15	-	347	-	-
Surplus on ordinary activities before taxation		**21,153**	**72,109**	**22,793**	**75,572**
Tax charge on surplus on ordinary activities	10	(31)	(93)	-	-
Surplus for the year		**21,122**	**72,016**	**22,793**	**75,572**
Actuarial gain/(loss) on defined benefit pension scheme	37	10,172	(8,733)	10,172	(8,733)
Total comprehensive income for the year		**31,294**	**63,283**	**32,965**	**66,839**

All activities are classed as continuing.
Notes on pages 37 to 82 form part of the financial statements.

Consolidated and Association Statement of Changes in Reserves for the year ended 31 March 2020

	Group		
	£'000 Revenue reserve	£'000 Fair value reserve	£'000 Total
At 31 March 2018	**367,275**	**4,946**	**372,221**
Surplus for the year	72,016	-	72,016
Reserve transfer	(855)	855	-
SHPS opening adjustment	(4,273)	-	(4,273)
Pension re-measurement	(4,460)	-	(4,460)
At 31 March 2019	**429,703**	**5,801**	**435,504**
Surplus for the year	21,122	-	21,122
Reserve transfer	569	(569)	-
Pension re-measurement	10,172	-	10,172
At 31 March 2020	**461,566**	**5,232**	**466,798**

	Association		
	£'000 Revenue reserve	£'000 Fair value reserve	£'000 Total
At 31 March 2018	**387,122**	**3,445**	**390,567**
Surplus for the year	75,572	-	75,572
Reserves transfer	(436)	436	-
SHPS opening adjustment	(4,273)	-	(4,273)
Pension re-measurement	(4,460)	-	(4,460)
At 31 March 2019	**453,525**	**3,881**	**457,406**
Surplus for the year	22,793	-	22,793
Reserves transfer	529	(529)	-
Pension re-measurement	10,172	-	10,172
At 31 March 2020	**487,019**	**3,352**	**490,371**

The Association has a share capital of £11. The movement in share capital is disclosed in note 32.
Notes on pages 37 to 82 form part of the financial statements.

Consolidated and Association Statement of Financial Position at 31 March 2020
Co-operative and Community Benefit Societies No. RS007326

	Note	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets					
Intangible assets					
Computer software	12	14,780	7,368	14,780	7,368
Tangible fixed assets					
Housing properties at cost less depreciation and impairment	11	1,961,354	1,828,315	1,970,468	1,837,430
Other fixed assets	12	15,937	11,874	15,937	11,874
Investment properties	14	29,899	30,472	25,654	26,187
Total tangible fixed assets		**2,007,190**	**1,870,661**	**2,012,059**	**1,875,491**
Investments in joint ventures	15	-	347	-	-
Investments (financial)	16	6,333	6,384	6,333	6,384
Investments (shares)	17	30	30	65,030	75,030
Shared equity loans	18	4,229	4,911	4,229	4,911
Debtors: amounts falling due after more than one year	19	57	7	52	7
Total fixed assets		**2,032,619**	**1,889,708**	**2,102,483**	**1,969,191**
Current assets					
Stock	20	128,934	113,569	71,417	57,611
Debtors: amounts falling due within one year	21	18,816	27,561	38,385	37,221
Cash and cash equivalents	22	67,051	75,766	61,143	71,140
		214,801	216,896	170,945	165,972
Less: creditors amounts falling due within one year	23	(146,500)	(90,543)	(149,292)	(97,527)
Net current assets		68,301	126,353	21,653	68,445
Total assets less current liabilities		**2,100,920**	**2,016,061**	**2,124,136**	**2,037,636**
Creditors: amounts falling due after more than one year	24	(1,616,522)	(1,540,298)	(1,616,522)	(1,540,298)
Provisions for liabilities and charges	25	(18,522)	(40,458)	(18,165)	(40,131)
Pension surplus	37	922	199	922	199
Total net assets		**466,798**	**435,504**	**490,371**	**457,406**
Capital and reserves					
Non-equity share capital	32	-	-	-	-
Revenue reserve		461,566	429,703	487,019	453,525
Fair value reserves		5,232	5,801	3,352	3,881
Total reserves		**466,798**	**435,504**	**490,371**	**457,406**

Notes on pages 37 to 82 form part of the financial statements.
These financial statements on pages 32 to 82 were approved and authorised for issue by the Board on 28 July 2020.

Bernadette Conroy, Chair

Valerie Vaughan-Dick, Board member

Tabitha Kassem, Company Secretary

The Directors have the power to amend the financial statements after this date.

Consolidated and Association Cash Flow Statement for the year ended 31 March 2020

	Note	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net cash inflow from operating activities	36	39,751	44,487	15,418	15,100
Cash flow from investing activities					
Purchase of tangible fixed assets – housing properties		(176,707)	(203,334)	(164,175)	(163,589)
Purchase of tangible fixed assets – other fixed assets		(14,176)	(5,798)	(14,176)	(5,798)
Proceeds from disposal of tangible fixed assets		45,434	100,622	41,092	37,181
Grants received		27,643	17,948	27,642	17,948
Sale / Purchase of investments		-	87	-	(16)
Shared equity investments		682	617	682	617
Interest received		511	1,101	783	1,159
Investment in shares		-	(30)	10,000	(30)
Gift aid received		-	-	4,590	56,457
Net cash used in investing activities		**(116,613)**	**(88,787)**	**(93,562)**	**(56,071)**
Cash flow from financing activities					
Interest paid		(39,985)	(31,081)	(39,985)	(33,286)
New borrowings		201,250	297,500	201,250	297,500
Repayment of borrowings		(93,118)	(215,872)	(93,118)	(215,068)
Net cash received from financing activities		**68,147**	**50,547**	**68,147**	**49,146**
Net (decrease)/increase in cash and cash equivalents		**(8,715)**	**6,247**	**(9,997)**	**8,175**
Cash and cash equivalents at the beginning of the year		75,766	69,519	71,140	62,965
Cash and cash equivalents at 31 March		**67,051**	**75,766**	**61,143**	**71,140**
Cash and cash equivalents consist of:					
Cash at bank and in hand		67,051	75,766	61,143	71,140
Bank overdraft		-	-	-	-
Cash and cash equivalents		**67,051**	**75,766**	**61,143**	**71,140**

Notes on pages 37 to 82 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2020

1. Accounting policies

The Association is incorporated in England and is registered under the Co-operative and Community Benefit Societies Act 2014 and registered with Homes England as a provider. The Association and a Group member meet the criteria for being a public benefit entity under FRS 102 section 34. The Group's registered address is The Hive 22, Wembley Park Boulevard, Wembley HA9 0HP.

The following policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the financial statements of the Group.

Basis of preparation and statement of compliance

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment in properties, and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice for social housing providers (Housing SORP 2018 update) and comply with the Accounting Direction for Private Registered Providers of Social Housing from January 2019 (the Accounting Direction 2019).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Group and Association's presentation currency is British Pounds (GBP). Amounts are presented in thousands unless otherwise stated.

These financial statements are prepared on a going concern basis. The first two months of year has shown that operational expenditure has slowed due to the national lockdown with the organisation providing essential services only. All operational services have resumed as of mid June and the Association is now again providing its full suite of services to residents. Income collection reduced initially but has not been materially affected in the first two months of the financial year. Internal monitoring structures have been strengthened and monitoring frequency of all operational parameters has been increased including to committee and board level. The external environment is expected to remain challenging, but Network is well placed to meet these challenges from a position of strength.

The 30 year business plan was updated and stress tested showing the Association and its subsidiaries are viable over the next 30 years. The Group is able to remain covenant compliant under all but the most severe stress tests and has early warning as well as mitigation mechanisms in place to return the business plan to covenant compliance for the most severe stress scenarios should they arise. The Association has reviewed its risk register from the ground up and does not consider the Association to be in a stress scenario.

The liquidity policy is to retain sufficient liquidity to fund the business for the next 18 months, while allowing for some uncertainty in sales receipts. The policy was reviewed by the Finance Committee and upheld unchanged in April 2020. The cash flow is monitored and reported to Finance Committee on a monthly basis. A 25% reduction in sales proceeds is included as a contingency when the liquidity requirements are assessed.

The most recent funding round has been successful, providing the organisation with long term funding at favourable rates to meet development commitments as well as showing the continued attractiveness of the organisation to lenders.

The Association has remained compliant with all statutory, regulatory and disclosure requirements throughout the lockdown, evidencing the strength of it business continuity plan and overall organisational resilience. It remains in close and regular contact with the Regulator of Social Housing on all relevant topics.

The Group's Board has a reasonable expectation that the Association will continue in operational existence for the foreseeable future and as a result a material uncertainty does not exist.

Exemptions for qualifying entities under FRS 102

The Association has elected to apply the following reduced disclosures, which are permitted in accordance with FRS 102:

- Exemption from making disclosures in relation to financial instruments in accordance with FRS 102 1.12(c) as the Association is a qualifying entity and the parent Network Homes Limited produces a consolidated statement.
- The Group discloses transactions with related parties which are not wholly owned with the same Group. The Group does not disclose transactions with members of the same Group that are wholly owned as allowed by FRS 102 paragraph 33.1A. Intra-Group transactions required to be disclosed by The Accounting Direction 2019 are provided in note 40.

Basis of consolidation

As the parent company, Network Homes Limited has overall control of the business of the Association and its members. It will assist and support all subsidiaries in achieving compliance with regulatory requirements. The Board's responsibilities are set out in detail in the Board's Terms of Reference.

SW9 Community Housing, a subsidiary of Network Homes Limited, is a Charitable Company limited by guarantee (number 09574528). The relationship is governed by an Intra-Group Agreement, Management Agreement and Options Review Agreement between the two entities as well as the Articles of Association of SW9 Community Housing which further set out the mutual obligations.

The Group consolidated financial statements include the financial statements of the Association and all of its subsidiary undertakings. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Any subsidiary undertakings acquired or sold during the year are included up to, or from, the date of change of control.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Turnover

Turnover represents rental and service charge income receivable, income from the management of properties, income from sale of assets, revenue grants receivable from local authorities and Homes England, amortisation of deferred capital grants, management fees, gift aid receivable by Network Homes from its own subsidiaries, fair value uplift on investment valuation and other income. Turnover excludes value added tax where applicable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered. All income is recognised on a receivable basis as per specific criteria described below:

a. Rents receivable
All rents are recognised on a receivable basis. Rental income from properties owned by the Association is recognised on an accrual basis (net of void losses) as it falls due.

b. Property sales
Income from property sales is recognised at the point of the legal completion of the sale and recognised within turnover. The profit or loss recognised in the Statement of Comprehensive Income is calculated by deducting the property's carrying amount and incidental cost of sale from the sale proceeds.

c. Amortised government grants
Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met. Income from capital grants is recognised on a systematic basis over the useful economic life of the asset (usually the properties' fabric) for which it was received.

d. Gift aid receivable
Gift aid from the Association's wholly owned subsidiaries is recognised at year-end on a receivable basis and is disclosed in the Statement of Comprehensive Income. Gift aid is eliminated on consolidation in the Group. The Boards of the wholly owned subsidiaries have put in place deeds of covenants which will allow Companies to recognise and action gift aid payments.

e. Service charges receivable
Service charge income is recognised on an accruals basis as it falls due. The Association operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charge on all schemes is set on the basis of budgeted spend.

Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows.

f. Management fees
Network Homes Limited manages properties owned by entities outside the Group on behalf of local authorities. Management fees receivable (excluding VAT) for services provided to entities outside the Group are recorded when they fall due.

Internal fees are charged by parent Network Homes Limited to the subsidiaries for management and support services provided. These fees are apportioned as per the Board approval. Intra-Group fees receivable in the parent company from the wholly owned subsidiaries are eliminated on consolidation.

g. Supporting people contracts
Support service income for provision of extra care for residents with specific needs is recognised on an accruals basis as the services are provided.

h. Commercial activities
Income from the letting of commercial properties including rent and other income like electricity, mobile aerials and insurance is recognised as it falls due on an accrual basis.

Cost of sales

Cost of sales comprises costs of stock sold and incidental costs incurred. Properties developed for outright sales or the first tranche component of shared ownership properties are held at the lower of cost of developing the unit or at the estimate of fair value less cost to sell. Fair value less cost to sell is only used when the Association cannot fully recover through sales the cost of developing the units or when there is impairment of the property.

Taxation

The Association has charitable status and is therefore not subject to corporation tax on its charitable activities. Any non-charitable trading activities are carried out in the subsidiaries and they pay gift aid out of their profits to the Association (their parent company). Further details are provided in the gift aid accounting policy below. The Group may be liable to corporation tax based on any taxable profit for the year taking into account differences between certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have occurred but not reversed as at the reporting date. Deferred tax relating to investment property that is measured at fair value in accordance with FRS 102 Section 16 Investment Property has been measured using the tax rates and allowances that apply to sale of the asset.

Interest payable and similar charges

Interest on borrowings is charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method, if the loan is a basic financial liability, to ensure that the amount charged is at a constant rate on the carrying amount.

Costs of issuing debt are recognised as a reduction in the associated financial instrument. Directly attributable costs of obtaining undrawn facilities are amortised over the life of the facility. Both costs are amortised over the life of the loan facility using the effective interest rate method.

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 social housing grant (SHG) received in advance; or
- interest on borrowings of the Group as a whole after deduction of interest on SHG received in advance to the extent that it can be deemed to be financing the development programme.

Other fixed assets

Other fixed assets are principally assets purchased for use by staff of Network Homes. These assets are acquired in the open market and are stated at cost less accumulated depreciation.

The cost includes their purchase price, costs

of improvement and directly attributable staff overheads.

Direct overheads involved with administering IT projects are capitalised to the extent that they are directly attributable to the IT projects and in bringing the systems into their intended use.

Any IT software acquired in the year is recognised at the cost of acquisition and disclosed separately in the Other fixed asset note 12.

Housing properties

Housing properties are principally properties available for rent and shared ownership properties. Housing properties constructed or acquired in the open market are stated at cost less accumulated depreciation.

The cost of housing properties includes their purchase price, costs of improvement, capitalised interest and directly attributable development overheads.

Direct overheads involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use. Interest is capitalised using weighted average cost of capital (WACC) rates from the point of acquisition up to the date of practical completion of a property.

Any properties acquired in the year are recognised at the cost of acquisition and disclosed separately in the housing note 11. Housing properties under construction are reclassified as completed housing properties upon practical completion.

Works to existing properties which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced the cost and related depreciation are eliminated from the housing properties.

Economic benefits are enhanced if work performed results in an increase in rental income, a reduction in future maintenance costs or a significant extension to the useful economic life of a property. Shared ownership properties are split between current and non-current assets based on the anticipated proportion to be a first tranche sale with the first tranche proportion recognised as a current asset.

Depreciation of housing properties

Freehold land and housing properties under construction are stated at cost and are not depreciated. The proportion of shared ownership properties expected to be sold in the first tranche is held as stock.

Housing properties are split into their major components. Each component is depreciated on a straight-line basis over its estimated useful economic life to its estimated residual value. Components and their useful lives were reviewed and updated in the year:

Component Category	Life (Years)
Fabric	100
Roofs	60
Windows and doors	25
Kitchens	25
Bathrooms	25
Boilers	20
Mechanical and electrical	30
Service contractors	20

Service contractors comprise capital costs relating to lifts, CCTV, warden call systems and other similar communal capital costs. Housing properties held on long leases are depreciated in the same manner as freehold properties, except where the unexpired lease term is shorter than the component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Impairment of housing properties and other fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is then undertaken to determine the recoverable amount of the assets or cash generating units (CGU).

The recoverable amount will be the higher of fair value less costs to sell, or Existing Use Value for Social Housing (EUV-SH), or Value in Use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2014 the Group uses depreciated replacement cost as a reasonable estimate of VIU-SP.

If an impairment loss exceeds the accumulated gains in the reserves in respect of that asset or CGU, the excess will be recognised in the Statement of Comprehensive Income. The Group defines CGUs as schemes except where its schemes are not sufficiently large enough in size or where it is sensible to group schemes into larger CGUs.

Depreciation of other tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of other tangible fixed assets to write off the cost less estimated residual values. The useful economic lives for other tangible fixed assets are as follows:

Asset	Life (Years)
Computer hardware and software	3 to 5
Office fixtures and furniture	10
Office equipment	10
Office property	50

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Completed investment properties are measured at cost on initial recognition and subsequently at fair value at the reporting date, with changes in fair value recognised in the Statement of Comprehensive Income.

Investment properties under construction are measured in the Statement of Financial Position using the purchase price, construction costs to date, directly attributable development overheads and capitalised interest. Any additional new properties are measured at acquisition cost.

Fair value is determined annually and is derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Any impairment is recognised in the Statement of Comprehensive Income in the year when the impairment occurs. Investment properties are not depreciated.

Intangible assets

Intangible assets consist of software that is either acquired externally or is developed

internally. Software is measured at cost less accumulated amortisation and impairment losses.

Software is recognised as an intangible asset when the following criteria are met:

- it is feasible that the software will be available for use to the Association and the software will generate probable future economic benefits such as improving efficiencies or reducing costs;
- adequate financial and other resources are available to complete the development and implementation of the software;
- the software is identifiable, and there is an intention to implement and use it; and
- the costs attributable to the software during its development can be reliably measured.

Amortisation is charged using the straight-line method to allocate the cost of software over the estimated useful economic life. Software costs are amortised over a 3 to 5 year useful economic life.

Stock

Stock represents both completed properties and properties under construction:

- for outright sales carried out in subsidiaries of Network Homes and
- the proportion of shared ownership properties that are anticipated to be sold as a first tranche.

Stock is valued at the lower of cost and net realisable value. Cost includes acquisition and development costs together with capitalised interest. Net realisable value is based on the estimated selling price less selling costs.

Shared equity loans

Under the shared equity scheme, the Association lends the acquirer of one of its properties 20% of the purchase price as an interest free loan for up to five years. The acquirer may repay the loan at any time, but after five years the acquirer will be required to pay an interest rate as instructed by Homes England.

The Association receives a grant from Homes England to part finance the shared equity loan scheme. The grant is repayable to the extent that the loan is repaid in excess of the 20% purchase price. The loans are considered to be Public Benefit Entity Concessionary Loans (as defined by FRS 102 Paragraph PBE34.88) and are consequently measured at the amount advanced, less any provisions for impairment.

Financial assets

Basic financial assets, including tenant debtors and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Basic financial instruments, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fair values are determined in line with paragraph 11.27 of FRS 102 using exit prices quoted by the counterparty as the best estimate of fair value where available. Where the terms of a financial liability are renegotiated with substantially different terms, the original financial liability is de-recognised and a new financial liability is recognised. The difference between the carrying amount of the financial liability de-recognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the new financial liability is recognised in the Statement of Comprehensive Income.

Social housing grant (SHG) and other capital grants

SHG is receivable from Homes England and other grants are receivable from local authorities.

SHG and other capital grants are accounted for using the accruals model. Grant is recognised as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received, usually a housing property's fabric.

Upon the sale of a grant funded property, any attributable grant becomes recyclable and is transferred to a recycled capital grant fund (RCGF) or disposal proceeds fund (DPF) for right to acquire units until it is reinvested in a replacement property. The related grant amortisation is charged to the Statement of Comprehensive Income and is disclosed as part of the contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes. The only exemption to this is the £10m grant received from the local authority for properties in Lambeth. This grant is not repayable and there is no need to recycle any part of it.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the provisions discount due to the passage of time is recognised as a finance cost.

The Group provides for tenants' rent arrears based on the ageing of the debt as well as the type of debtor (current and former tenant). The level of provisioning is based on the collection rates for each ageing group and on cash collected over a period of twelve months.

Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Employee benefits – short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period which the service is received.

Employee benefits – long term benefits

The Association operates both defined benefit schemes and defined contribution schemes.

(a) Defined benefit schemes

The Group operated a defined benefit plan for employees in the past. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Association engages independent actuaries, Hymans and Robertson LLP to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'finance expense'.

(b) Defined contribution scheme

Contributions are recognised as an expense in the Statement of Comprehensive Income when due.

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Association and SW9 Community Housing pay fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Association in independently administered funds.

(c) Multi-employer pension scheme

The Group is a member of a multi-employer Social Housing Pension Scheme (SHPS). The Pension Trust (TPT) administers this scheme, which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

The scheme is classified as 'last man standing' arrangements. Therefore, each employer 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.

Value added tax (VAT)

The Group is partially exempt in relation to VAT and accordingly is able to recover from HM Revenue and Customs part of the VAT incurred on expenditure. At the year end VAT recoverable or payable is included in the Statement of Financial Position. Irrecoverable VAT is accounted for in the Statement of Comprehensive Income within the relevant expense line.

Where the Group has entered into a VAT shelter arrangement (usually to assist with the regeneration of local authority housing stock), the financial statements reflect the underlying substance of the transaction on a gross basis. The receivable from the local authority is shown in current and non-current debtors, and the Group's legally binding obligation to the local authority under the refurbishment contract is shown in provisions for liabilities and charges.

Gift aid

Gift aid payments are treated as distributions of reserves by the paying entity and recognised only on creation of a legal obligation. Gift aid receipts are treated as income from an investment in a subsidiary by the receiving entity. Gift aid from the Association's wholly owned subsidiary is recognised at year-end on a receivable basis and is disclosed in the Statement of Comprehensive Income. Gift aid across the Group is eliminated on consolidation. Gift aid payments by the subsidiaries are disclosed separately in their individual financial statements.

2. Critical accounting judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to exercise its judgement in the process of applying the Association's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical judgements in applying the Group's accounting policies

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

(i) Capitalisation of property development costs

Management decision to allow capitalisation of development costs requires judgement. Once the Board decision is made and a planning permission is granted, a project will continue and development costs will be capitalised. After capitalisation, management monitors the project and considers whether events indicate that an impairment review is required.

(ii) Determining whether an impairment review is required (note 11)

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date in accordance with FRS 102 27.7. Indicators include: changes in government policy, a reduction in the market value of properties where the occupant has the right to acquire, a reduction in the demand for a property, losses from operating that property, obsolescence of a property or contamination of a site. Impairment is tested at cash generating unit (CGU) level which is at scheme level. Indicators for properties under construction include any unforeseen additional costs that do not add value.

If there is no such indication, it may be assumed that there is no impairment. Any assets which elicit indicators of impairment are reviewed at each reporting date. The main recurring areas of review in respect of impairment are as follows:

- Mixed tenure development schemes (part rented and part shared ownership);
- Shared ownership schemes (newly-developed units);
- Properties intended for demolition;
- Work in progress;
- Units with high void rates; and
- Units with cladding issues

Where the carrying value of the asset is higher than its recoverable amount, impairment is required. The recoverable amount is the higher of value in use or fair value less costs to sell as represented by VIU-SP or EUV-SH. The Group uses Depreciated Replacement Cost (DRC) as a proxy of VIU-SP for recoverable amount.

For calculating DRC, the Association has estimated that the average build cost of developing new properties is between £2,795 and £3,947 per square metre depending on the property type (whether the building is tall or normal based on number of storeys). This cost per square metre is multiplied by the size of individual units and then depreciated over the remaining useful life of the asset. The DRC for 2020 was calculated on the schemes where fire safety works are due to take place. The calculation covered our general needs stock and shared ownership stock.

The net calculation per unit is then grouped together into cash generating units (CGUs). The calculated DRC is compared against the net book value (NBV) of the CGU. For this calculation the Association included the cost of fabric only.

Based on impairment review, no units were impaired in 2020 (2019: no units were impaired), but adjustment was made on impairment provision previously made for two schemes (The Ridgeway £1,170k and John Barker Court £445k).

(b) Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. 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 are as follows:

(i) Provisions (note 25)

Provisions in the year are made for dilapidations on lease termination, which requires management's best estimate of the costs that will be incurred at the time of lease handover. Timing of the cash flows is per lease agreement. Discount rates used to establish net present value of the dilapidations obligations are based on statistical information.

(ii) Property valuation

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we keep the valuation of the investment properties under frequent review.

(iii) Useful economic lives of tangible fixed assets and capitalisation of overheads (note 11)

Management reviews the useful economic lives of depreciable assets annually based on the expected utility of the assets. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

The key judgements and estimates applied in respect of housing properties are disclosed in note 12 and include:

- the useful economic life of property fabric at 100 years and
- properties have no residual value at the end of useful life.

Overheads departments provide information on time spent on each capital project. This information is the basis for the capitalisation of overhead costs.

The above assumptions have been aligned with general practice followed by other registered housing providers.

(iv) Stock (note 20)

Housing stock for sale is recognised at the lower of cost and net realisable value. In assessing net realisable value management considers publicly available information and internal forecasts on future sales activity.

We have reviewed the sales value of our homes for sale, both available for sale and in construction. Information from actual sales values achieved, mortgage valuations provided to potential residents, and discussions with developers and estate agents have been used to review current sales values. COVID-19 restrictions have

implications regarding obtaining valuations, lack of sales during lockdown, and additional uncertainties regarding future sales performance. We have incorporated a reduction in sales values based on current valuations, combined with publicly available market value predictions from a range of sector specialists.

We have also incorporated higher sales costs, including staff resources and incentives, to reflect more difficult selling conditions.

(v) Allocation of costs for mixed tenure developments (notes 11 and 20)
The Association develops mixed scheme properties and receives invoices for development costs that are not split for each property tenure such as shared ownership, outright sales or affordable rents in the mixed scheme. As a result, the Association makes estimates based on floor area or unit numbers as advised by the Board in advance of scheme development. The Board also makes decisions in advance regarding the split of costs between mixed tenure and shared ownership units within mixed tenure schemes.

(vi) Market interest rates for financing transactions (note 26)
On calculating the net present value of the new restructured loans, the Group had to estimate what the market interest rate would be for these loans, as fixed rate loans with maturities in excess of 40 years are not readily available. The Group estimated that the rate would be 3.96%, being a combination of the rate on an equivalent maturity instrument and an estimate of the Group's margin over that rate.

(vii) Rent collection
Rental income collection has always been under the strict monitoring and recently all internal monitoring structures have been further strengthened. Although the external environment is expected to remain challenging, Network Homes currently estimates that the collection rates will remain broadly the same.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group	Turnover £'000	Cost of sales £'000	Operating costs £'000	2020 Operating surplus / (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	2019 Operating surplus / (deficit) £'000
Social housing lettings (Note 4)	**145,507**	**-**	**(113,253)**	**32,254**	**149,312**	**-**	**(106,605)**	**42,707**
Other social housing activities								
Supporting people contract income	81	-	(81)	-	206	-	(206)	-
Housing management administration	-	-	-	-	12	-	(498)	(486)
London Living (BTR)	-	-	(314)	(314)	-	-	-	-
Community development	2,272	-	(1,243)	1,029	-	-	(309)	(309)
Sale of first tranche properties	23,663	(17,102)	(2,582)	3,979	23,437	(14,951)	(1,650)	6,836
Housing property sales	17,432	(9,106)	(440)	7,886	17,684	(8,061)	(2,216)	7,407
Other	2,529	-	-	2,529	653	-	(15)	638
Other social housing activities	**45,977**	**(26,208)**	**(4,660)**	**15,109**	**41,992**	**(23,012)**	**(4,894)**	**14,086**
Total social housing activities	**191,484**	**(26,208)**	**(117,913)**	**47,363**	**191,304**	**(23,012)**	**(111,499)**	**56,793**
Non-social housing activity								
Student accommodation	-	-	-	-	60,513	(24,317)	(373)	35,823
Outright sale of properties	4,336	(3,133)	(248)	955	3,934	(3,957)	(707)	(730)
Garage rent	735	-	-	735	592	-	(25)	567
Commercial activities	1,939	-	(798)	1,141	1,979	-	(510)	1,469
Revaluation surplus on investment properties	(569)	-	-	(569)	855	-	-	855
Fully staircased properties	6,941	-	(3,868)	3,073	6,463	-	(3,649)	2,814
Other	788	-	(384)	404	9,413	-	(9,902)	(489)
Total non-social housing activity	**14,170**	**(3,133)**	**(5,298)**	**5,739**	**83,749**	**(28,274)**	**(15,166)**	**40,309**
Total	**205,654**	**(29,341)**	**(123,211)**	**53,102**	**275,053**	**(51,286)**	**(126,665)**	**97,102**

3. Particulars of turnover, cost of sales, operating costs and operating surplus – continued

Association	Turnover £'000	Cost of sales £'000	Operating costs £'000	2020 Operating surplus / (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	2019 Operating surplus / (deficit) £'000
Social housing lettings (Note 4)	**137,858**	**-**	**(106,395)**	**31,463**	**141,715**	**-**	**(98,999)**	**42,716**
Other social housing activities								
Supporting people contract income	81	-	(81)	-	206	-	(206)	-
Housing management administration	-	-	-	-	409	-	(822)	(413)
Community development	-	-	(245)	(245)	-	-	(242)	(242)
London Living (BTR)	2,272	-	(1,243)	1,029	-	-	-	-
Sale of first tranche properties	23,663	(17,102)	(2,581)	3,980	23,437	(14,951)	(1,724)	6,762
Housing property sales	17,432	(9,106)	(440)	7,886	17,684	(8,061)	(2,216)	7,407
Other	2,149	-	-	2,149	458	-	(15)	443
Other social housing activities	**45,597**	**(26,208)**	**(4,590)**	**14,799**	**42,194**	**(23,012)**	**(5,225)**	**13,957**
Total social housing activities	**183,455**	**(26,208)**	**(110,985)**	**46,262**	**183,909**	**(23,012)**	**(104,224)**	**56,673**
Non-social housing activity								
Outright sale of properties	-	-	-	-	-	-	-	-
Garage rent	736	-	-	736	592	-	(25)	567
Commercial activities	1,939	-	(797)	1,142	1,979	-	(510)	1,469
Revaluation surplus on investment properties	(529)	-	-	(529)	436	-	-	436
Fully staircased properties	6,941	-	(2,806)	4,135	6,463	-	(3,649)	2,814
Other	94	-	-	94	6,267	-	(8,354)	(2,087)
Total non-social housing activity	**9,181**	**-**	**(3,603)**	**5,578**	**15,737**	**-**	**(12,538)**	**3,199**
Gift aid receivable	**-**	**-**	**-**	**3,264**	**-**	**-**	**-**	**43,184**
Total	**192,636**	**(26,208)**	**(114,588)**	**55,104**	**199,646**	**(23,012)**	**(116,762)**	**103,056**

4. Income and expenditure from social housing lettings

Group 2020	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Supported housing £'000	Short stay £'000	Intermediate £'000	Total 2020 £'000
Income from lettings							
Rent receivable	85,502	7,090	4,090	-	16,020	13,124	125,826
Charges for supporting services	-	106	-	-	-	-	106
Service charges receivable	4,042	3,135	3,070	-	-	484	10,731
Amortised government grants	7,907	-	-	-	-	-	7,907
Other income	-	-	-	-	937	-	937
	97,451	**10,331**	**7,160**	**-**	**16,957**	**13,608**	**145,507**
Expenditure on letting activities							
Management	23,553	1,489	1,967	-	2,390	2,989	32,388
Service charge costs	11,771	1,954	1,377	-	83	636	15,821
Support costs	-	-	-	-	-	-	-
Routine maintenance	11,431	68	130	-	587	258	12,474
Planned maintenance	7,794	24	47	-	120	239	8,224
Capitalised Repairs	434	(20)	-	-	8	24	446
Property lease charges	640	-	-	-	14,327	634	15,601
Total depreciation	26,785	1	1	-	63	46	26,896
Rent losses from bad debts	906	48	11	-	240	198	1,403
	83,314	**3,564**	**3,533**	**-**	**17,818**	**5,024**	**113,253**
Operating surplus on lettings	**14,137**	**6,767**	**3,627**	**-**	**(861)**	**8,584**	**32,254**
Void losses	**(1,235)**	**(212)**	**(46)**	**-**	**(362)**	**(650)**	**(2,505)**

Group 2019	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Supported housing £'000	Short stay £'000	Intermediate £'000	Total 2019 £'000
Income from lettings							
Rent receivable	80,966	9,381	3,781	4,325	17,231	9,292	124,976
Charges for supporting services	-	60	-	-	-	-	60
Service charges receivable	3,693	3,902	2,915	173	-	428	11,111
Amortised government grants	5,453	681	282	1,094	19	35	7,564
Other income	2,385	-	2,115	-	1,101	-	5,601
	92,497	**14,024**	**9,093**	**5,592**	**18,351**	**9,755**	**149,312**
Expenditure on letting activities							
Management	23,641	692	842	1,124	1,048	2,286	29,633
Service charge costs	5,989	3,876	2,493	221	79	31	12,689
Support costs	-	12	-	-	-	-	12
Routine maintenance	14,424	1,167	140	299	545	467	17,042
Planned maintenance	3,278	893	214	343	224	580	5,532
Property lease charges	8	-	-	631	15,761	465	16,865
Total depreciation	15,639	2,335	2,619	1,770	65	746	23,174
Rent losses from bad debts	1,242	35	203	33	27	118	1,658
	64,221	**9,010**	**6,511**	**4,421**	**17,749**	**4,693**	**106,605**
Operating surplus on lettings	**28,276**	**5,014**	**2,582**	**1,171**	**602**	**5,062**	**42,707**
Void losses	**(854)**	**(272)**	**(40)**	**(91)**	**(288)**	**(602)**	**(2,147)**

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

4. Income and expenditure from social housing lettings – continued

Association 2020	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Supported housing £'000	Short stay £'000	Intermediate £'000	Total 2020 £'000
Income from lettings							
Rent receivable	80,479	6,699	3,876	-	16,020	13,124	120,198
Charges for supporting services	-	106	-	-	-	-	106
Service charges receivable	3,237	2,911	2,078	-	-	484	8,710
Amortised government grants	7,907	-	-	-	-	-	7,907
Other income	-	-	-	-	937	-	937
	91,623	**9,716**	**5,954**	**-**	**16,957**	**13,608**	**137,858**
Expenditure on letting activities							
Management	19,954	1,122	1,633	-	2,390	2,989	28,088
Service charge costs	10,931	1,954	793	-	83	636	14,397
Support costs	-	-	-	-	-	-	-
Routine maintenance	10,800	2	1	-	587	258	11,648
Planned maintenance	7,564	-	-	-	120	239	7,923
Capitalised Repairs	434	(20)	-	-	8	24	446
Property lease charges	640	-	-	-	14,327	634	15,601
Total depreciation	26,780	-	-	-	63	46	26,889
Rent losses from bad debts	906	48	11	-	240	198	1,403
	78,009	**3,106**	**2,438**	**-**	**17,818**	**5,024**	**106,395**
Operating surplus on lettings	**13,614**	**6,610**	**3,516**	**-**	**(861)**	**8,584**	**31,463**
Void losses	**(987)**	**(212)**	**(46)**	**-**	**(362)**	**(650)**	**(2,257)**

Association 2019	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Supported housing £'000	Short stay £'000	Intermediate £'000	Total 2019 £'000
Income from lettings							
Rent receivable	76,116	9,022	3,506	4,325	17,231	9,292	119,492
Charges for supporting services	-	60	-	-	-	-	60
Service charges receivable	2,687	3,625	2,085	173	-	428	8,998
Amortised government grants	5,453	681	282	1,094	19	35	7,564
Other income	2,385	-	2,115	-	1,101	-	5,601
	86,641	**13,388**	**7,988**	**5,592**	**18,351**	**9,755**	**141,715**
Expenditure on letting activities							
Management	19,080	657	802	1,124	1,048	2,286	24,997
Service charge costs	4,738	3,691	2,032	221	79	31	10,792
Support costs	-	12	-	-	-	-	12
Routine maintenance	13,439	1,113	106	299	545	467	15,969
Planned maintenance	3,278	893	214	343	224	580	5,532
Property lease charges	8	-	-	631	15,761	465	16,865
Total depreciation	15,639	2,335	2,619	1,770	65	746	23,174
Rent losses from bad debts	1,242	35	203	33	27	118	1,658
	57,424	**8,736**	**5,976**	**4,421**	**17,749**	**4,693**	**98,999**
Operating surplus on lettings	**29,217**	**4,652**	**2,012**	**1,171**	**602**	**5,062**	**42,716**
Void losses	**(658)**	**(211)**	**(38)**	**(91)**	**(288)**	**(602)**	**(1,888)**

5. Employee information

The monthly average number of persons employed during the year, including the Executive Officers, is based on an assumption that a full time equivalent employee (FTE) works 35 hours and includes employees on both permanent and fixed term contracts:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Office-based staff	488	475	457	451
Scheme-based staff	32	26	30	24
	520	**501**	**487**	**475**

Staff costs for the above employees were:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	22,780	21,714	21,781	20,744
Social security costs	2,360	2,217	2,258	2,117
Pension costs	1,123	906	1,070	863
Total	**26,263**	**24,837**	**25,109**	**23,724**

The Association participates in the SHPS defined contributions scheme and costs paid in the year were £1,070k (2019: £863k). This amount includes £43k of administrative cost payable to TPT in respect of managing past service deficit.

During the year, the Association made a contribution towards past service deficit of £1,760k excluding TPT admin costs of £43k (2019: £1,616k). This contribution has offset the net pension liability as per note 37.

The number of staff (including the Chief Executive Officer) receiving remuneration in excess of £60,000 per annum at 31 March 2020 is as follows:

	Group		Association	
	2020 FTE	2019 FTE	2020 FTE	2019 FTE
£60,000 - £69,999	31	28	31	28
£70,000 - £79,999	22	15	21	15
£80,000 - £89,999	13	8	13	8
£90,000 - £99,999	7	10	7	9
£100,000 - £109,999	2	6	2	6
£110,000 - £119,999	6	2	5	2
£120,000 - £129,999	2	2	2	2
£130,000 - £139,999	-	2	-	2
£140,000 - £149,999	1	1	1	1
£150,000 - £159,999	2	1	2	1
£160,000 - £169,999	1	2	1	2
£170,000 - £179,999	1	-	1	-
£180,000 - £189,999	1	2	1	2
£190,000 - £199,999	1	-	1	-
£200,000 - £209,999	2	-	2	-
£260,000 - £269,999	1	1	1	1
	93	**60**	**91**	**79**

6. Directors' emoluments

The Directors are defined as members of the Board and the Executive Leadership Team (ELT). Their emoluments for 2019-20 are:

		Appointed (A) / Resigned (R)	Basic salary / fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind (BUPA)	Total emoluments
Non-Executive Officers			£	£	£	£	£	£	£
Alan Hall	Board Member		12,313	588	12,901	-	-	-	12,901
Barbara Brownlee	Board Member	A 31/03/2020	-	-	-	-	-	-	-
Bernadette Conroy	Network Homes Limited Board Chair		22,727	-	22,727	-	-	-	22,727
Francis Haydon	Board Member	A 01/06/2019	2,500	-	2,500	-	-	-	2,500
Jaz Saggu	Board Member		9,813	961	10,774	-	-	-	10,774
Jonathan Gooding	Board Member		12,313	-	12,313	-	-	-	12,313
Patricia Anne Turner	Board Member		12,313	2,006	14,319	-	-	-	14,319
Paul Plummer	Board Member		9,813	-	9,813	-	-	-	9,813
Rachel King	Board Member		9,813	-	9,813	-	-	-	9,813
Ronen Journo	Board Member		9,813	230	10,043	-	-	-	10,043
Sean West	Board Member		9,813	32	9,845	-	-	-	9,845
Trevor Morley	Vice Chair	R 30/07/2019	4,500	-	4,500	-	-	-	4,500
Valerie Vaughan-Dick	Board Member		12,313	37	12,350	-	-	-	12,350
			128,044	**3,854**	**131,898**	**0**	**0**	**0**	**131,898**
Executive Officers									
Jamie Ratcliff		A 01/04/2019	160,000	1,155	161,155	-	12,500	885	174,540
Jon Dawson		R 15/04/2019	181,499	-	181,499	12,674	6,936	366	201,475
Helen Evans			240,570	1,104	241,674	24,333	-	2,145	268,152
Gerry Doherty			158,735	676	159,411	12,373	14,873	1,506	188,163
David Gooch			163,674	518	164,192	23,839	15,163	1,621	204,815
Fiona Deal			156,451	369	156,820	26,680	14,715	1,449	199,664
Peter Benz			227,800	-	227,800	-	-	-	227,800
Tabitha Kassem			133,700	398	134,098	17,891	12,460	-	164,449
			1,422,429	**4,220**	**1,426,649**	**117,790**	**76,647**	**7,972**	**1,629,058**
			1,550,473	**8,074**	**1,558,547**	**117,790**	**76,647**	**7,972**	**1,760,956**

6. Directors' emoluments – continued

The Directors are defined as members of the Board and the Executive Leadership Team (ELT). Their emoluments for 2018-19 are:

		Appointed (A) / Resigned (R)	Basic salary / fees	Expenses	Total remuneration	Bonus / other payments	Pension contributions	Benefits in kind (BUPA)	Total emoluments
Non-Executive Officers			£	£	£	£	£	£	£
Bernadette Conroy	Chair		22,500	-	22,500	-	-	-	22,500
Trevor Morley	Deputy Chair		13,500	-	13,500	-	-	-	13,500
Jon Gooding	Committee Chair/Board member		10,500	-	10,500	-	-	-	10,500
Alan Hall	Committee Chair/Board member		9,724	377	10,101	-	-	-	10,101
Valerie Vaughan-Dick	Committee Chair/Board member		10,500	-	10,500	-	-	-	10,500
Charmian Boyd	Committee Chair/Board member	R 24/07/2018	3,500	-	3,500	-	-	-	3,500
Patricia Anne Turner	Committee Chair/Board member		10,500	2,369	12,869	-	-	-	12,869
Jaz Saggu	Board Member	A 20/11/2018	4,840	527	5,367	-	-	-	5,367
Nick Sharman	Board Member	R 25/09/2018	4,000	-	4,000	-	-	-	4,000
Sean West	Board Member	A 20/11/2018	4,840	-	4,840	-	-	-	4,840
Rachel King	Board Member	A 20/11/2018	2,944	-	2,944	-	-	-	2,944
Ronen Jounro	Board Member		8,000	215	8,215	-	-	-	8,215
Paul Plummer	Board Member		8,000	-	8,000	-	-	-	8,000
			113,348	**3,488**	**116,836**	**-**	**-**	**-**	**116,836**
Executive Officers									
Helen Evans			213,731	3,457	217,188	15,598	5,777	1,990	240,553
Barry Nethercott		R 31/12/2018	130,282	7,310	137,592	14,545	12,121	-	164,258
Peter Benz		A 04/01/2019	51,425	-	51,425	-	-	-	51,425
Gerry Doherty			155,904	1,676	157,580	11,209	13,647	1,410	183,846
Fiona Deal			122,860	524	123,384	8,957	11,459	1,362	145,162
Jon Dawson			137,068	2,337	139,405	11,085	12,674	1,508	164,672
David Gooch			160,166	1,028	161,194	11,487	14,869	1,512	189,062
			971,436	**16,332**	**987,768**	**72,881**	**70,547**	**7,782**	**1,138,978**
			1,084,784	**19,820**	**1,104,604**	**72,881**	**70,547**	**7,782**	**1,255,814**

6. Directors' emoluments – continued

	2020 £'000	2019 £'000
Aggregate emoluments payable to Executive Directors	1,552	1,068
Aggregate emoluments payable to non-executive Directors	132	117
	1,684	**1,185**
Pension contributions payable to Executive Directors	**77**	**71**
Total emoluments	**1,761**	**1,256**
Emoluments paid to the highest paid Director, excluding pension contributions	**268**	**235**

During the year, Network Homes did not pay any pension contributions into a defined contribution scheme on behalf of the Chief Executive (2019: £5,777). The Association did not make any contribution to any individual pension arrangement on her behalf. The notice period for termination of her contract is six months.

No pension contributions were made on behalf of any non-executive Directors.

Ratio of highest to lowest earners

The ratio of the highest earner in the Group compared to the average earner (annualised salary) is as follows:

	2020	2019
Ratio of highest to average earner	5.56 : 1	5.05 : 1

Chief Executive, Board Chair's and total board members' remuneration as a £ per owned unit basis:

	2020 (based on total no of units)	2019 (based on total no of units)
Chief executive remuneration per home (£)	12.86	11.66
Board Chair's remuneration per home (£)	1.09	1.09
Total Board members remuneration per home, including chair (£)	6.33	5.66

Units 2020 20,849 (2019: 20,630)

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

6. Directors' emoluments – continued

Other directorships

Board and Committees' members had the following external directorships, not including directorships of subsidiaries or associates of Network Homes Limited.

Member	Network Homes appointment -Board/Committee Membership	External Directorships
Bernadette Conroy	Chair of Network Homes Board; Member of Investment Committee, Customer Services Committee, Finance Committee and Network Treasury Services Ltd.	Chair of Buildings and Estates Portflio Cambridge University; NED Community Health Partnership; NED North London Estates Partnership; NED Milton Keynes Development Partnership; NED Financial Conduct Authority
Helen Evans	Member of Network Homes Board; Finance Committee, Network Treasury Services Ltd., Investment Committee; Customer Services Committee	Trustee of Joseph Rowntree Foundation and Chair of their housing association (JRHL); Chair of G15
Valerie Vaughan-Dick	Chair of Audit & Risk Committee; Member of Network Homes Board	Head of Paid Service/CEO – Chief Operating Officer, Royal College of General Practitioners
Alan Hall	Chair of Customer Services Committee; Member of Network Homes Board and Investment Committee	None
Anne Turner	Vice-Chair and Board Member of Network Homes Board; Chair of Finance Committee and Network Treasury Services Limited; Observer, Investment Committee	Board Member Housing and Care 21 and PA Housing
Jon Gooding	Vice-Chair of Network Homes Board; Chair of Investment Committee; Member of Finance Committee and Network Treasury Services Ltd.	Affordable Housing Fund BMO – REP; Adviser, Dolphin Square Ltd; NED LTYD Homes
Ronen Journo	Member of Network Homes Board, PGC and Customer Services Committee	Senior Vice President, Enterprise & Workplace Strategy, WeWork
Paul Plummer	Chair of PGC; Member of Network Homes Board and Audit & Risk Committee	Chief Executive Officer, Rail Delivery Group
Peter Benz	Executive Director of Finance	SK&D LTD (dormant), Mayfields Africa Exports Ltd and PB Housing Consultants Limited.
Sean West	Member of Network Homes Board; Finance Committee, Network Treasury Services Ltd., and Audit & Risk Committee	Director, Arqiva Holdings Limited, Arqiva Limited, Arqiva Group Holdings Limited, Arqiva Services Limited, Arqiva Telecoms Investment Limited, Arqiva UK Broadcast Holdings Limited, Arqiva Muxco Limited; Managing Director of Arqiva Srl
Rachel King	Member of Network Homes Board, PGC and Customer Services Committee	People Director, Camelot (UK) Lotteries Ltd., Non-Executive Director MHFA England
Jaz Saggu	Member of Network Homes Board, PGC, Finance Committee and Network Treasury Services Ltd.	Chief Operating Officer at MDIS (Insurance Services) Ltd.; Independent Non-Executive Director at Cranfield University
David Coulter	Member of Audit & Risk Committee	None
Dee Alapafuja	Chair of SW9 Board; Member Customer Services Committee	None
Phil Lyon	Chair of Hertford Residents' Panel; Member Customer Services Committee	Resides in a Network Homes property
Francis Haydon	Chair of London Residents' Panel; Member Customer Services Committee	Resides in a Network Homes property
Barbara Brownlee	Member of Network Homes Board, IC and Audit & Risk Committee	Board Member, Westminster Builds
Amina Graham	Member of Customer Services Committee	Change and Transformation Director, L&Q Group (to end April 2020)
Adeoye Adebayo	Member of Investment Committee	Interim Director of Corporate Property, Westminster Council (to 4 September 2020); Director of AOA Property Consulting Limited

7. Interest receivable and other income

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable on deposits	477	1,155	456	1,156
Interest receivable on loans to Group undertakings	-	(54)	293	8
Other	34	-	34	-
Total interest income on financial assets measured at amortised cost	**511**	**1,101**	**783**	**1,164**
Restructuring of financial instruments	**94**	**90**	**94**	**90**

8. Interest and financing costs

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Housing loans	38,808	32,949	39,611	35,156
Less: interest capitalised	(9,439)	(8,588)	(9,608)	(8,588)
Loan cost amortisation	1,120	819	1,120	819
Other finance costs	1,642	1,351	1,642	1,351
Sinking Fund depreciation	51	-	51	-
Local government Pension scheme interest	372	-	372	-
Total interest expense on financial liabilities measured at amortised cost	**32,554**	**26,531**	**33,188**	**28,738**
Interest capitalisation rate	3.96%	3.82%	3.96%	3.82%

9. Surplus on ordinary activities before taxation

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The surplus on ordinary activities before taxation is stated after charging:				
Depreciation	26,896	25,011	26,888	24,650
Software amortised costs	826	813	826	813
Amortised government grant	(7,907)	(7,564)	(7,906)	(7,564)
Fees for the audit of the financial statements – current year	156	139	112	103
Operating lease payments	15,602	16,865	15,602	16,865

10. Tax on surplus on ordinary activities

(a) Analysis of charge in year	Group		Association	
UK corporation tax on profit for the year	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax				
Origination and reversal of timing difference	(7)	80	-	-
Adjustment in respect of previous period	-	21	-	-
Effect of changes in tax rates	38	(8)	-	-
Total Tax per income statement	**31**	**93**	**-**	**-**

The Association is exempt from tax on its charitable activities under tax law.

The tax assessed for the year is the same as the standard rate of corporation tax in the UK (19%) (2019: 19%).

(b) Factors affecting tax charge for the year	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current tax reconciliation				
Surplus on ordinary activities before taxation	21,153	72,109	22,793	75,572
Current tax at 19% (2018: 19%)	4,019	13,701	4,331	14,359
Effects of:				
Non-taxable charitable activities	(3,450)	(12,851)	(4,331)	(6,075)
Expenses not deductible	-	163	-	-
Qualifying charitable donation made	(576)	(933)	-	(8,222)
Adjustment from previous periods	-	21	-	-
Tax rate changes	38	(8)	-	-
Group relief	-	-	-	(62)
Total tax charge	**31**	**93**	**-**	**-**

11. Housing properties

Group	Under Development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
Cost					
At 1 April 2019	165,164	48,636	1,597,779	172,940	1,984,519
Additions	121,526	99,430	16,335	-	237,291
Transfer to/from stock	878	(78,720)	94	1,069	(76,679)
Transfer to investment properties	-	-	(125)	-	(125)
Transfer on completion	(62,501)	(19,403)	62,501	19,403	-
Transfer from stock	-	8,483	(884)	(131)	7,468
Disposals	-	-	(4,100)	(7,745)	(11,845)
Components replaced	-	-	(3,191)	(249)	(3,440)
At 31 March 2020	**225,067**	**58,426**	**1,668,409**	**185,287**	**2,137,189**
Accumulated depreciation					
At 1 April 2019	-	-	141,400	10,405	151,805
Charge for the year	-	-	20,031	3,112	23,143
Depreciation accrual for components	-	-	658	-	658
Disposals	-	-	(725)	(237)	(962)
Components replaced			(1,476)	(117)	(1,593)
At 31 March 2020	**-**	**-**	**159,888**	**13,163**	**173,051**
Impairment					
At 1 April 2019	-	-	4,399	-	4,399
Released in the year	-	-	(1,615)	-	(1,615)
At 31 March 2020	**-**	**-**	**2,784**	**-**	**2,784**
Net book value					
At 31 March 2020	**225,067**	**58,426**	**1,505,737**	**172,124**	**1,961,354**
At 31 March 2019	**165,164**	**48,636**	**1,451,980**	**162,535**	**1,828,315**

Total expenditure on existing properties in the year was £37,479k (2019: £31,074k). This comprises £16,335k (2019: £8,130k) which was capitalised and £21,144k (2019: £22,944k) which was treated as revenue expenditure and charged to the Statement of Comprehensive Income.

Additions to housing properties during the year included capitalised interest of £9,439k (2019: £8,588k). The capitalisation rate used was 3.96% (2019: 3.82%). At 31 March 2020 the EUV-SH for the units charged was £1,286,677k (2019: £1,119,701k) and the number of units charged was 12,371 (2019: 12,025).

11. Housing properties – continued

Association	Under Development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
Cost					
At 1 April 2019	162,429	48,636	1,607,419	172,940	1,991,424
Additions	121,526	99,430	16,335	-	237,291
Transfer to/from stock	878	(78,720)	94	1,069	(76,679)
Transfer to Investment Property	-	-	(125)	-	(125)
Transfer on completion	(62,501)	(19,403)	62,501	19,403	-
Transfer to/from Other Group Members	-	8,483	(884)	(131)	7,468
Disposals	-	-	(4,100)	(7,745)	(11,845)
Component replacement	-	-	(3,191)	(249)	(3,440)
At 31 March 2020	**222,332**	**58,426**	**1,678,049**	**185,287**	**2,144,094**
Accumulated depreciation					
At 1 April 2019	-	-	139,377	10,218	149,595
Charge for the year	-	-	20,031	3,112	23,143
Depreciation accrual for components	-	-	658	-	658
Disposals	-	-	(724)	(237)	(961)
Component replacement	-		(1,476)	(117)	(1,593)
At 31 March 2020	**-**	**-**	**157,866**	**12,976**	**170,842**
Impairment					
At 1 April 2019	-	-	4,399	-	4,399
Released in the year	-	-	(1,615)	-	(1,615)
At 31 March 2020	**-**	**-**	**2,784**	**-**	**2,784**
Net book value					
At 31 March 2020	**222,332**	**58,426**	**1,517,399**	**172,311**	**1,970,468**
At 31 March 2019	**162,429**	**48,636**	**1,463,643**	**162,722**	**1,837,430**

Total expenditure on existing properties in the year was £36,352k (2019: £30,001k). This comprised £16,335k (2019: £8,130k) which was capitalised and £20,017k (2019: £21,871k) which was treated as revenue expenditure and charged to the Statement of Comprehensive Income.

Additions to housing properties during the year included capitalised interest of £9,608k (2019: £8,588k). The capitalisation rate used was 3.96% (2019: 3.82%). At 31 March 2020 the EUV-SH for the units charged was £1,286,677k

(2019: £1,119,701k) and the number of units charged was 12,371 (2019: 12,025).

12. Intangible assets and other fixed assets

Group and Association	Computer hardware £'000	Freehold and leasehold office property £'000	Office fixtures and fittings £'000	Total tangible asset £'000	Computer software £'000	Total £'000
Cost						
At 31 March 2019	725	12,023	2,721	15,469	10,896	26,365
Additions	-	3,941	547	4,488	8,238	12,726
Transfer from Investment Property	-	130	-	130	-	130
At 31 March 2020	**725**	**16,094**	**3,268**	**20,087**	**19,134**	**39,221**
Accumulated depreciation and amortisation						
At 31 March 2019	671	706	2,218	3,595	3,528	7,123
Amortisation for the year	-	-	-	-	826	826
Depreciation charge for the year	18	247	290	555	-	555
At 31 March 2020	**689**	**953**	**2,508**	**4,150**	**4,354**	**8,504**
At 31 March 2020	**36**	**15,141**	**760**	**15,937**	**14,780**	**30,717**
At 31 March 2019	**54**	**11,317**	**503**	**11,874**	**7,368**	**19,242**

13. Freehold and leasehold properties

The cost of housing properties and office properties comprises:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Housing properties				
Freehold	1,662,113	1,593,690	1,671,753	1,603,331
Long leasehold	191,583	177,028	191,583	177,028
	1,853,696	**1,770,718**	**1,863,336**	**1,780,359**
Office properties				
Freehold	16,094	12,046	16,094	12,023
Short lease	-	24,562	-	-
	16,094	**36,608**	**16,094**	**12,023**
Total	**1,869,790**	**1,807,326**	**1,879,430**	**1,792,382**

14. Investment properties

	Group £'000	Association £'000
At 1 April 2018	**30,472**	**26,187**
Transfer from housing properties	125	125
Transfer to other fixed assets	(130)	(130)
Revaluation (deficit)	(568)	(528)
At 31 March 2020	**29,899**	**25,654**

Completed investment properties

The valuation report was prepared by Lamberts Chartered Surveyors Limited in accordance with the RICS Valuation Professional Standards incorporating the International Valuation Standards (January 2014 edition) and the requirements contained therein for valuations undertaken for inclusion in the financial statements. The valuation of completed investment properties were arrived at by either applying the capital values realised net of stamp duty and 1.5% for purchasing costs such as legal and agency costs achieved from specific comparable properties in a similar location or by using the investment method approach where an appropriate capitalisation rate is applied to the income streams generated by the individual investment property.

Where properties were valued using an appropriate capitalisation rate to the income streams, the following assumptions were applied: capitalisation rates 4.5% to 9.5% and inflation rate 2.5%.

The other factors affecting the valuations include the duration of the secure income stream, location and the covenant strength of the occupier.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we keep the valuation of the investment properties under frequent review.

Investment properties under construction

Investment properties under construction are valued at cost at stage of completion. These costs are included in the values in the above summary. As 31 March 2020, costs in relation to investment properties under construction were £0 (2019: £0).

15. Investments in joint ventures

Group	GH Partnership LLP £'000	Merrick Road LLP £'000	Total £'000
At 1 April 2019	13	334	347
Joint venture settlement	(13)	(334)	(347)
At 31 March 2019	**-**	**-**	**-**

On 28 March 2019, Network Homes Investment Limited, a subsidiary of Network Homes, bought the remaining interest in the joint venture Merrick Road LLP for £14,744k. Joint venture partnership with both Merrick Road LLP and GH Partnership have ceased to exist since then.

16. Investments (financial)

	Group and Association £'000
At 1st April 2018	6,384
Amortisation of cost	(51)
At 31 March 2019	**6,333**

The above investment in gilts is held to provide collateral as required by a debt instruments covenant condition. The investment is therefore restricted and not available for general use. The investment has a nominal value of £5,200k, and the original cost of the investment is being amortised to this nominal value in 2042 (when the investment matures) using the effective interest rate method.

17. Investment in Shares

Investment in Group entities

The Association has interests in the following Group entities:

Name of entity	Notes	Country of incorporation	Nature of business	Interest
Network Living Limited	1	UK	Dormant	100% ordinary shares (1 share)
Network New Build Limited	1	UK	Build and design	100% ordinary shares (1 share)
Network Homes Investments Limited	1	UK	Property Development	100% ordinary shares (65,000,001 shares)
Network Homes Investments (Stockwell) Limited	1	UK	Property Development	100% ordinary shares (1 share)
Network Treasury Services Limited	1	UK	Treasury vehicle	100% ordinary shares (1 share).
Riversmead Housing Development Limited	1	UK	Dormant	100% ordinary shares (1 share)
Pimlico Village Developments Limited	1	UK	Property development	100% ordinary shares (2 shares)
Pimlico Village Developments (Number Two) Limited	1	UK	Dormant	100% ordinary shares (2 shares)
Student First Limited	2	UK	Dormant	100% ordinary shares (6 shares)
Network Homes 2016 Limited	1	UK	Dormant	100% ordinary shares (1,000 shares)
Network Living Management Services Ltd.	1	UK	Dormant	100% ordinary shares (1 share)
SW9 Community Housing	1 and 3	UK	Management of properties in Lambeth	Interest in property management
Venice House Management Company Ltd	1	UK	Dormant	N / A (Private company limited by guarantee without share capital)
Aylesbury House Management Company Ltd	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Marsworth House Management Company Ltd	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Cosgrove House Management Company Ltd	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Unconsolidated entities: these entities are associates with immaterial balances				
Churchill Gardens Amenity Limited	1	UK	Property Management	Interest in property management
Tay Road Amenity Limited	1	UK	Property Management	Interest in property management

Notes

1. Companies incorporated under the Companies Act 2006.
2. Bodies incorporated under the Co-operative and Community Benefit Societies Act 2014.
3. Entities incorporated under the Charities Act 2011.

Investment in MORhomes PLC

At 31 March 2019, the Group held an investment of 30,000 ordinary shares of £1 each in the company.

18. Shared equity loans

	Group and Association	
	2020 £'000	2019 £'000
At 1 April	4,911	5,528
Redeemed during the year	(682)	(617)
At 31 March	**4,229**	**4,911**

Shared equity loans meet the criteria for concessionary loans and are therefore measured in accordance with FRS 102 PBE34.90 to PBE34.92. The loans are initially measured at amount received. In subsequent periods the carrying amount of the loans are adjusted to reflect any accrued interest and repayment.

19. Debtors: amounts falling due after more than one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loan finance charges	57	7	52	7
	57	**7**	**52**	**7**

20. Stock

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Completed schemes:				
Shared ownership properties	7,071	12,151	7,071	11,130
Open market sales	212	2,259	-	973
	7,283	**14,410**	**7,071**	**12,103**
Under construction:				
Shared ownership first tranche	64,346	45,507	64,346	45,508
Open market sales	57,305	53,652	-	-
Total	**128,934**	**113,569**	**71,417**	**57,611**

There was no impairment on stock recognised during the year (2019: £nil).
None of the stock is pledged as collateral against borrowing by the Group (2019: £nil).

21. Debtors: amounts falling due within one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Rent and service charges	14,622	16,014	15,468	15,994
Less: provision for bad and doubtful debts	(7,133)	(6,188)	(7,042)	(6,188)
	7,489	**9,826**	**8,426**	**9,806**
Other debtors	6,389	5,365	5,905	5,278
Less: provision for bad and doubtful debts	-	(176)	-	(176)
Trade debtors	2,584	1,912	2,419	1,893
Amount owed from Group undertakings	-	-	18,622	9,049
Stock transfer	2,075	3,411	2,075	3,411
Prepayments and accrued income	279	7,223	938	7,960
	18,816	**27,561**	**38,385**	**37,221**

22. Cash and cash equivalents

		Group		Association	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash at bank and in hand		62,220	70,993	56,340	66,367
Cash held for client accounts	23	4,831	4,773	4,803	4,773
		67,051	**75,766**	**61,143**	**71,140**

All the cash other than cash held for client accounts is available for general use. Cash held in client accounts is restricted as this is tenants' money.

23. Creditors: amounts falling due within one year

		Group		Association	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Client accounts					
Service charge and client funds		5,092	4,912	5,064	4,912
Client bank accounts		(261)	(139)	(261)	(139)
Total client account creditors		**4,831**	**4,773**	**4,803**	**4,773**
Other creditors					
Housing loans	26	74,747	27,368	74,747	27,368
Trade creditors		3,110	4,258	2,249	2,751
Rent and service charges received in advance		7,641	9,500	7,641	9,042
Owed to Group undertakings		-	-	34,573	33,279
Other creditors		2,491	2,965	2,313	2,772
Accruals		53,680	41,679	22,966	17,542
		146,500	**90,543**	**149,292**	**97,527**

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

		Group		Association	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Housing loans*	26	974,096	913,540	974,096	913,540
Social housing grant received in advance		573	573	573	573
Recycled capital grant fund	27	12,525	10,401	12,525	10,401
Disposal proceeds fund	28	902	902	902	902
Social housing grant	29	580,496	565,207	580,496	565,207
Other capital grants	30	45,653	47,140	45,653	47,140
Shared equity grants	31	2,277	2,535	2,277	2,535
		1,616,522	**1,540,298**	**1,616,522**	**1,540,298**

* Housing loans are carried at amortised cost using the effective interest method when they are classified as basic loans. The nominal carrying values of housing loans are £1,034,907k (2019: £926,774k), as per note 26. They also include restructured loan of £13,255k (2019: £13,349k) and the THFC financing surplus of £4,299k (2019: £3,855k).

The housing loans in the Association include a loan of £493,350k (2019: £436,450k) from Network Treasury Services Limited.

25. Provisions for liabilities and charges

Group	Lease termination repairs £'000	Stock transfer £'000	Cladding work £'000	Deferred tax £'000	SHPS liability £'000	Total £'000
At 31 March 2019	3,291	3,411	16,123	327	17,306	40,458
Additions in the year	-	-	-	30	420	450
Released in the year	(48)	(1,337)	(9,787)	-	(11,214)	(22,386)
At 31 March 2020	**3,243**	**2,074**	**6,336**	**357**	**6,512**	**18,522**

	2020 £'000	2019 £'000
Amount payable within one year	10,867	15,341
Amount payable after one year	7,655	25,117
	18,522	**40,458**

Association	Lease termination repairs £'000	Stock transfer £'000	Cladding work £'000	SHPS liability £'000	Total £'000
At 31 March 2019	3,291	3,411	16,123	17,306	40,458
Additions in the year	-	-	-	420	450
Released in the year	(48)	(1,337)	(9,787)	(11,214)	(22,386)
At 31 March 2020	**3,243**	**2,074**	**6,336**	**6,512**	**18,165**

	2020 £'000	2019 £'000
Amount payable within one year	10,867	15,341
Amount payable after one year	7,298	24,790
	18,165	**40,131**

Lease termination repairs

The provisions for termination repairs relate to future costs that will be incurred to return social housing properties to a suitable condition. These costs are payable at the end of each lease, with the last lease ending in 2037. The principal uncertainty is the level of dilapidation work required to be performed.

Stock transfer

The provision relates to the cost of a works programme to be undertaken by Network Homes Limited on the Stockwell Park and Robsart estates in the London Borough of Lambeth. The amount stated represents the Association's obligation to the LB Lambeth to undertake works under the refurbishment contract as confirmed by Lambeth itself.

Deferred tax

The provision held is in relation to tax on unrealised gains on revaluation of investment property in the Group as at 31 March 2020.

Cladding

The Board is fully committed to replacing the cladding on one of its tall buildings and the provision made is for the cost of the works to be carried out by Network Homes Limited over the next year.

SHPS defined benefit

The provision relates to the pension past service deficit. The amount of £1,802k was paid to The Pension Trust in this financial year. Provision payable with the next 12 months is £1,838k.

26. Housing loans

Financial liabilities measured at amortised cost – GROUP

				2020 £'000
Fixed rate loans at 1 April 2018				763,584
Fixed Rate Debt Instruments	**Rate**	**Maturity**	**Repayment**	
Bilateral bank loan	5.5%	Instalment	Jun-20	(800)
Note Purchase Agreement	3.2%	On Maturity	May-49	25,000
Note Purchase Agreement	3.2%	On Maturity	May-51	25,000
Bilateral bank loan	4.7%	Instalment	Dec-37	(6,250)
Bilateral bank loan	4.8%	Instalment	Nov-35	(1,459)
Local Authority Investment	3.1%	On Maturity	Apr-19	(1,000)
Local Authority Investment	3.4%	On Maturity	Apr-19	(5,000)
Bilateral bank loan	10.6%	Instalment	Sep-25	(334)
Bilateral bank loan	9.9%	Instalment	Sep-23	(37)
Deep Discounted Loan Note	5.0%	On Maturity	Sep-27	444
Local Authority Investment	3.4%	On Maturity	Apr-19	(2,000)
				33,564
Fixed rate loans at 31 March 2020				**797,148**

26. Housing loans – continued

				£'000
Variable rate loans at 1 April 2019				167,046
Variable Rate Debt Instruments	**Margin**	**Maturity**	**Repayment**	
Bilateral bank loan	1.1%	On Maturity	Aug-24	5,000
Bilateral bank loan	0.3%	Instalment	May-38	(1,260)
Bilateral bank loan	0.6%	On Maturity	Feb-20	(7,000)
Bilateral bank loan	1.2%	On Maturity	May-24	10,000
Bilateral bank loan	0.9%	On Maturity	Dec-20	50,000
Bilateral bank loan	0.6%	On Maturity	May-49	(10,000)
Bilateral bank loan	0.4%	Instalment	Nov-35	(1,332)
Bilateral bank loan	1.3%	On Maturity	Dec-20	(30,000)
Local Authority Investment	2.0%	On Maturity	Apr-19	(2,500)
Local Authority Investment	2.0%	On Maturity	Apr-19	(5,000)
Bilateral bank loan	1.3%	On Maturity	Feb-22	10,000
Bilateral bank loan	1.0%	On Maturity	May-24	58,000
Bilateral bank loan	1.0%	Instalment	Mar-36	(896)
				75,012
Variable rate loans at 31 March 2020				**242,058**
Financial liabilities				**1,039,206**
Unamortised loan issue costs				(3,618)
Restructured loan				13,255
Total financial liabilities measured at amortised cost (notes 23 & 24)				**1,048,843**
Less: THFC financing surplus				(4,299)
Less: Restructured loan				(13,255)
Total loan repayable (as per repayment profile below)				**1,031,289**

At 31 March 2020 the EUV-SH for the units charged was £1,286,677k (2019: £1,119,701k) and the number of units charged was 12,371 (2019: 12,025).

Unencumbered asset value

The value of all Unencumbered Assets for the Association at year-end is £509,043k (2019: £480,534k).

26. Housing loans – continued

Repayment profile of financial instruments	Group		
	Payable by instalment £'000	Payable on maturity £'000	2020 Total £'000
Less than one year	24,747	50,000	74,747
Between one and five years	56,047	127,500	183,547
In more than five years	296,814	479,799	776,613
Total (nominal value)	**377,608**	**657,299**	**1,034,907**
Less: Amortised cost			**(3,618)**
Total (at amortised cost)			**1,031,289**

	Payable by instalment £'000	Payable on maturity £'000	2019 Total £'000
Less than one year	12,368	15,000	27,368
Between one and five years	66,363	82,000	148,363
In more than five years	311,244	439,799	751,043
Total (nominal value)	**389,975**	**536,799**	**926,774**
Less: Amortised cost			**(3,071)**
Total (at amortised cost)			**923,704**

Repayment profile of financial instruments	Association		
	Payable by instalment £'000	Payable on maturity £'000	2020 Total £'000
Less than one year	1,372	-	1,372
Between one and five years	9,972	112,500	122,472
In more than five years	82,914	334,799	417,713
Total (nominal value)	**94,258**	**447,299**	**541,557**
Less: Amortised cost			**(1,410)**
Total (at amortised cost)			**540,147**

	Payable by instalment £'000	Payable on maturity £'000	2019 Total £'000
Less than one year	1,268	8,000	9,268
Between one and five years	8,563	52,000	60,563
In more than five years	85,694	334,799	420,493
Total (nominal value)	**95,525**	**394,799**	**490,324**
Less: Amortised cost			**(871)**
Total (at amortised cost)			**489,453**

The loans taken by the Association above exclude internal loans from NTSL.

Unencumbered asset value

The value of all unencumbered assets at year-end is £509,043k (2019: £480,534k).

27. Recycled capital grant fund

The movement on the recycled capital grant fund is shown below:

Group and Association Funds pertaining to activities within areas covered by:		Homes England £'000	GLA £'000	Other £'000	Total £'000
As at 1 April 2019		952	7,863	1,586	10,401
Inputs to RCGF (source of funds):	Funds recycled	59	2,084	129	2,272
	Interest accrued	-	2	-	2
Use/allocation of funds:	New build	(150)	-	-	(150)
At 31 March 2020		**861**	**9,949**	**1,715**	**12,525**
Amounts 3 years or older where repayment may be required		**-**	**-**	**-**	**-**

28. Disposal Proceeds Fund

The movement on the disposal proceeds fund is shown below:

Group and Association Funds pertaining to activities within areas covered by:		GLA £'000
As at 1 April 2019		902
Inputs to DPF (source of funds):	Funds recycled	-
At 31 March 2019		**902**
Amounts 3 years or older where repayment may be required		**-**

There is no need to repay any part of the DPF, as confirmed by the provider.

29. Social housing grant

	Under development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
At 1 April 2019	40,904	30,215	462,939	31,149	565,207
Opening balance adjustment	(789)	(219)	-	-	(1,008)
Received	23,531	-	-	-	23,531
Amortisation for year	-	-	(5,060)	(439)	(5,499)
Disposal	-	-	(478)	(1,407)	(1,885)
Transfer from RCGF	150	-	-	-	150
Transfer on completion	(4,160)	(1,825)	4,160	1,825	-
As at 31 March 2020	**59,636**	**28,171**	**461,561**	**31,128**	**580,496**

30. Other capital grants

Group and Association	Under development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
At 1 April 2019	-	-	45,303	1,837	47,140
Opening balance adjustment	789	219	-	-	1,008
Received	41	-	-	-	41
Amortisation for year	-	-	(2,386)	(22)	(2,408)
Disposal	-	-	(18)	(110)	(128)
Transfer on completion	(289)	(219)	289	219	-
As at 31 March 2020	**541**	**-**	**43,188**	**1,924**	**45,653**

Other grants are grants from local authorities.

31. Shared equity grants

Group and Association	2020 £'000	2019 £'000
At 1 April	2,535	2,663
Recycled during the year	(258)	(128)
At 31 March	**2,277**	**2,535**

Shared equity grants are received to partially fund the shared equity loan scheme. The grants are not amortised and are recyclable or become payable when the shared equity loans they funded are redeemed.

32. Non-equity share capital

	Association	
	2020 £	2019 £
Ordinary shares of £1 each, issued and fully paid:		
At 1 April	10	10
Issued during the year	1	-
At 31 March	**11**	**10**

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemptions of capital or distributions on a winding up. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore all shareholdings relate to non-equity interests.

33. Legislative provisions

The Group and Association are registered under the Co-operative and Community Benefit Societies Act 2014, and are required by statute to prepare consolidated financial statements as the Association is the ultimate parent entity in the Group. The Association is registered with Homes England as a social provider.

34. Group capital commitments

	2020 £'000	2019 £'000
Expenditure contracted for but not provided for in the financial statements	196,680	255,053
Capital Expenditure authorised by board but not yet contracted for	251,740	354,170
	448,420	**609,223**

Capital commitments are in relation to the development programme that Board has approved. Capital commitments will be financed through a combination of retained reserves, long-term committed loan facilities from banks and other lending institutions, social housing grant awarded by Homes England (formerly The Homes and Communities Agency) and proceeds from the sale of outright sale and non-core properties. Borrowings mentioned below relate to existing and new loans which will be taken when required.

The summary below shows how the Group expects to finance capital commitments through:

Group	2020 £'000	2019 £'000
Social Housing Grants	57,138	37,066
Surpluses and borrowings	391,282	572,157
Total	**448,420**	**609,223**

35. Leases

The total of future minimum lease payments under non-cancellable leases for each of the following periods is:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amount payable in:				
Not later than one year	14,802	13,805	14,764	13,805
Later than one year and not later than five years	9,921	22,877	9,921	22,877
Later than five years	25,908	28,889	25,908	28,889
Total	**50,631**	**65,571**	**50,593**	**65,571**

The amount of lease payments recognised as an expense in the year was £15,602k (2019: £16,970k).

36. Notes to the cash flow statement

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Surplus for the financial year	21,122	72,016	22,793	75,572
Profit on sale of fixed assets	(13,003)	(49,336)	(12,054)	(14,173)
Revenue grant income	-	(6,153)	-	(6,153)
Revaluation loss/(surplus) on investment properties	568	(855)	528	(436)
Loss on sale of investment property	-	406	-	-
Interest receivable and other income	(511)	(1,101)	(783)	(1,159)
Interest payable and similar charges	32,554	26,531	33,188	28,737
Restructuring of financial instruments	(94)	(90)	(94)	(90)
Share of joint venture (profit)	-	(347)	-	-
Taxation	31	93	-	-
Gift aid receivable	-	-	(3,264)	(43,184)
Operating surplus	**40,667**	**41,164**	**40,314**	**39,114**
Depreciation charges	26,904	22,828	26,896	24,124
Amortised government grants	(7,907)	(7,563)	(7,907)	(7,564)
Working capital movements				
Decrease/(increase) in debtors	8,696	(2,614)	(2,533)	5,676
Increase in creditors	(28,609)	(11,504)	(41,352)	(47,091)
Reclassification/non-cash item	-	2,176	-	841
Net cash inflow from operating activities	**39,751**	**44,487**	**15,418**	**15,100**

Group	1 April 2019 £'000	Cash flow £'000	Non-cash £'000	31 March 2020 £'000
Analysis of changes in net debt				
Cash and cash equivalents	73,357	(8,018)	-	65,339
Sinking fund	2,409	(697)	-	1,712
	75,766	**(8,715)**	**-**	**67,051**
Debt due within one year	(27,368)	(47,379)	-	(74,747)
Debt due after more than one year	(909,685)	(60,753)	641	(969,797)
THFC debt	(3,855)	(444)	-	(4,299)
	(865,142)	**(117,291)**	**641**	**(981,792)**

Association	1 April 2019 £'000	Cash flow £'000	Non-cash £'000	31 March 2020 £'000
Analysis of changes in net debt				
Cash and cash equivalents	68,731	(9,300)	-	59,431
Sinking fund	2,409	(697)	-	1,712
	71,140	**(9,997)**	**-**	**61,143**
Debt due within one year	(27,368)	(47,379)	-	(74,747)
Debt due after more than one year	(909,685)	(60,753)	641	(969,797)
THFC debt	(3,855)	(444)	-	(4,299)
	(869,768)	**(118,573)**	**641**	**(987,700)**

Reconciliation of increase in cash and cash equivalents to movement in net debt	Group 2020 £'000	Association 2020 £'000
(Decrease) in cash in the year	(8,715)	(9,997)
Cash (inflow) from increase in debt	(108,576)	(108,576)
Non-cash movement	641	641
Change in net debt	(116,650)	(117,932)
Net debt at beginning of period	(865,142)	(869,768)
Net debt at end of year	**(981,792)**	**(987,700)**

37. Pension schemes

During the year, the Group members participated in three pension schemes: two defined benefit schemes providing benefits based on final pensionable pay (one local government pension scheme and the multi-employer Social Housing Pension Scheme SHPS) and the third scheme which provides benefits based on contributions made (a defined contribution scheme).

The amount recognised in the Statement of Comprehensive Income is as follows:

Charged in operating profit		2020 £'000	2019 £'000
Defined benefit schemes: service costs - LGPF	note 37a	-	-
Defined benefit scheme - SHPS	note 37b	1,759*	1,616
Defined contribution scheme: contributions paid	note 37c	1,070	863
		2,829	**2,479**
Interest and finance costs			
Defined benefit schemes - LGPF	note 37a	(5)	(16)
Defined benefit scheme - SHPS	note 37b	346	349
		341	**333**

*The above amount excludes £43k of pension admin costs

The amount recognised in the Other Comprehensive Income is as follows:

	2020 £'000	2019 £'000
SHPS - OCI items from current year	9,454	(4,052)
SHPS - OCI adjustment to recognise full DB liability	-	(4,273)
LGPF - OCI items from current year	718	(408)
	10,172	**(8,733)**

(a) Defined benefit schemes

Network Homes Limited participates in the Hertfordshire Local Government Pension Scheme (the Hertfordshire Scheme) administered by Hertfordshire County Council. There are no active members in the scheme. During the year, Network Homes did not make any contributions towards past service deficit. The Scheme is contracted out of the Second State Pension.

	2020	2019
Members of the Schemes employed by the Group	-	-
Deferred pensioners	41	47
Pensioners	48	42

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI model assuming current rates of improvement have peaked and will converge to a long-term rate 1.25% pa.

37. Pension schemes – continued

Based on the assumptions, the average future life expectancies are summarised below:

	2020	2019
Future pensioners *		
Males	22.8 years	24.1 years
Females	25.5 years	26.7 years
Current pensioners		
Males	21.9 years	22.5 years
Females	24.1 years	24.9 years

* figures assume members aged 45 as at the last formal valuation date

A full actuarial valuation of the scheme was performed at 31 March 2020 by a qualified independent actuary, Hymans Robertson, using the projected unit credit method. The principal financial assumptions used by the actuary were:

	2020 %	2019 %
Expected rate of salary increase	2.3	2.6
Expected rate of pension increases	1.9	2.5
Discount rate	2.3	2.4

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2019	13,724	(13,525)	199
Benefits paid	(330)	330	-
Employer contribution	-	-	-
Interest income / (expense)	326	(321)	5
Actuarial gain/(loss)	(769)	1,487	718
At 31 March 2020	**12,951**	**(12,029)**	**922**

The fair value of the plan assets were:	2020 £'000	2019 £'000
Equity instruments	6,216	6,862
Bonds	4,921	5,215
Property	1,296	1,098
Cash	518	549
	12,951	**13,724**

The return on the plan assets were:	2020 £'000	2019 £'000
Interest income	326	350
Actual return on plan assets less interest income	(769)	563
	(443)	**913**

37. Pension schemes – continued

(b) Defined benefit scheme

The Association is a member of a multi-employer Social Housing Pension Scheme (SHPS). The Pension Trust, which administers this scheme, provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

The scheme is classified as 'last man standing' arrangements. Therefore, each employer 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.

The net pension liability reduced by £10,825k from £17,306k at 31 March 2019 to £6,481k at 31 March 2020. The change was recognised on the statement of financial position through other comprehensive income for any actuarial gains and losses (£9,442k) and through SOCI for interest (£377k) and other pension related costs (£43k). Top-up paid in the year in respect of past service deficit was £1,803k.

	31 March 2020 £'000	1 April 2019 £'000
Fair value of plan assets	54,190	52,725
Present value of defined benefit obligation	(60,671)	(70,031)
Surplus (deficit) in plan	(6,481)	(17,306)
Unrecognised surplus	-	-
Defined benefit (liability) to be recognised	(6,481)	(17,306)
Deferred tax	-	-
Net defined benefit (liability) to be recognised	(6,481)	(17,306)

Fair value of the plan assets is Network's share of the market value of scheme assets at 31 March 2020. This includes the share of assets in relation to 'orphan' members and split-service members.

Net defined benefit liability is the ultimate liability that Network Homes has recognised in the accounts for 2020.

Reconciliation of opening and closing balances of the fair value of plan assets	2020 £'000	2019 £'000
Fair value of plan assets at start of period	52,725	50,708
Interest income	1,210	1,292
Experience on plan assets (excluding amount included in interest income) - gain	252	754
Contribution by the employer	1,803	1,655
Benefits aid and expenses	(1,800)	(1,684)
Fair value of plan assets at end of period	**54,190**	**52,725**

The actual return on the plan assets, including any changes in share of assets, over the period ended 31 March 2020 was £1,465k (2019: £2,017k).

Reconciliation of opening and closing balances of the defined benefit obligation	2020 £'000	2019 £'000
Defined benefit obligation at start of period	**70,031**	**65,223**
Expenses	43	45
Interest expense	1,587	1,641
Actuarial (gain) / losses due to scheme experience	(986)	456
Actuarial losses due to changes in demographic assumptions	(618)	199
Actuarial losses due to changes in financial assumptions	7,586	4,151
Total defined benefit recognised in SOCI	**(7,560)**	**6,492**
Benefits paid	**(1,800)**	**(1,684)**
Defined benefit obligation as at 31 March 2019	**60,671**	**70,031**

The pension liability reduced by £9,360k (2019: increased by £4,808k) in the period ended 31 March 2020.

37. Pension schemes – continued

Defined benefit cost recognised in Statement of Comprehensive Income (SOCI)	2020 £'000	2019 £'000
Expenses	43	45
Net interest expense	377	349
Defined benefit costs recognised	**420**	**394**

Network Homes Limited will pay £1,838k (£1,795k plus admin fees £43k) over the next 12 months towards the past service deficit.

At the date of last valuation on 30 September 2018 the estimated debt on withdrawal for Network Homes Limited was £53,542k. This information has been provided by The Pension Trust and confirmed in May 2020.

Assumptions	2020	2019
Discount rate assumptions	2.39%	2.29%
Inflation (RPI) assumptions	2.65%	3.30%
Inflation (CPI) assumptions	1.65%	2.30%
Pensionable earning increases assumptions	2.65%	3.30%
Mortality before retirement	No allowance	No allowance
Life expectancy for a male currently age 65	21.5 y	21.8 y
Proportion married at retirement	75% for males and 75% for females	75% for males and 75% for females
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance
Discretionary increases	No allowance	No allowance

As at 31 March 2019 details of the scheme were:

Active members	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	12	668	55
Females	23	989	55
Total	**35**	**1,657**	**55**

Deferred members	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	93	382	54
Females	192	598	54
Total	**285**	**972**	54

Pensioners	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	60	482	70
Females	154	721	69
Total	**214**	**1,203**	69

37. Pension schemes – continued

(c) Defined contribution scheme

The amount recognised as an expense was:	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Contributions	1,123	906	1,070	863
	1,123	**906**	**1,070**	**863**

The Association paid contributions to The Pension Trust for its staff at the rates of 4% to 10% and members paid contribution between 4% and 10% based on their pensionable salaries.

38. Contingent liabilities

As at 31 March 2020, the Group had the following contingent liabilities:

i. A number of performance bonds, total amount of £60k. They are repayable by Network Homes Limited if the contracted work described is not completed in accordance with the terms of the respective bond.

ii. Cross collateralisation and cross guarantees are in place for £493m of loans borrowed by Network Treasury Services Limited, the Group's Treasury vehicle, as at 31 March 2020. The loans are secured against property assets held by these Group entities and are included within housing loans in note 26.

39. Government assistance

The Group receives financial assistance from government sources such as Homes England and local authorities. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building component; which is 100 years. The amount amortised represent a contingent liability to the entity and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes.

Below is the analysis of the assistance from government sources in the form of government grants:

	Group and Association	
	2020 £'000	2019 £'000
Government funding received (Note 29,30 & 31)	628,426	614,882
Grants amortised to date	**90,654**	**82,747**

40. Related parties

As permitted by FRS 102 Paragraph 33.1A, the Association has not presented details of related party transactions with other companies that are wholly owned within the Group. The rents of the tenant Board members are on normal commercial terms and they are not able to use their position to any advantage.

All gift aid payments from non-regulated entities are receivable by the Association.

Total receipts from non-regulated Group members	Details	2020 £'000	2019 £'000
Network Homes Investments (Stockwell) Limited	Loan Interest	293	22
Network Homes Investments Limited	Gift aid	2,293	4,066
Pimlico Village Developments Limited	Gift aid	16	21
Network New Build Limited	Gift aid	506	403
Network Treasury Services Limited	Gift aid	448	196
SW9 Community Housing Limited	Management Fees	2,705	2,329
		6,261	**7,037**

Total payment to non-regulated Group members	Details	2020 £'000	2019 £'000
Network Homes Investments Limited	Office rent	38	38
Network Homes Investments (Stockwell) Limited	Interest paid on loans	261	376
Network Treasury Services Limited	Interest paid on loans	21,363	20,247
Network New Build Limited	Design & Build	98,158	82,055
Pimlico Village Developments Limited	Electricity & insurance	210	194
		120,030	**102,910**

Gift aid from the subsidiaries is recognised at year-end on a receivable basis and is calculated based on the profit for the year end. Design and build fees in Network New Build Limited are calculated as a percentage of scheme build cost and recharged to other Group members. Electricity and insurance cost is recharged based on the agreement between Pimlico Village Developments and the Association.

Network Homes Investments Limited received office rent from the Association for Riversmead House in Hertfordshire. Network Treasury Services Limited receives interest on loans to the Association.

Intercompany debtors and creditors

Intercompany current account (£'000): Description	NWH	NHISL	NTSL	PVD	NHIL	NNB	SW9
Network Homes Investment Services Limited (NHISL)	(8,491)	8,491	-	-	-	-	-
Network Treasury Services Limited (NTSL)	448	-	(448)	-	-	-	-
Pimlico Village Development (PVD)	27	-	-	(27)	-	-	-
Network Homes Investment Limited (NHIL)	2,607	-	-	-	(2,607)	-	-
Network New Build (NNB)	(17,133)	-	-	-	-	17,133	-
SW9 Community Housing (SW9)	**540**	**-**	**-**	**-**	**-**	**-**	**(540)**
	(22,002)	**8,491**	**(448)**	**(27)**	**(2,607)**	**17,133**	**(540)**

Intercompany loans (£'000): Description	NWH	NHISL	NTSL	NHIL
Network Homes Investment Services Limited (NHISL)	15,000	(15,000)	-	-
Network Homes Investment Limited (NHIL)	(8,950)	-	-	8,950
Network Treasury Services Limited (Loans < 1 Year)	(73,375)	-	73,375	-
Network Treasury Service Limited > 1 year	(417,767)	-	417,767	-
	(485,092)	**(15,000)**	**491,142**	**8,950**

41. Housing stock

The number of units of accommodation in management at the end of the year was as follows:

	2020			2019		
Social housing rental stock	Owned	Managed	Total	Owned	Managed	Total
General needs (exclusive of PSL)	8,638	-	8,638	8,685	-	8,685
General needs (PSL only)	580	333	913	637	414	1,051
Affordable	2,689	-	2,689	2,523	-	2,523
Total general needs and affordable	**11,907**	**333**	**12,240**	**11,845**	**414**	**12,259**
Sheltered (older persons)	1,418	-	1,418	1,420	-	1,420
Shared ownership	2,038	-	2,038	1,999	-	1,999
Leasehold	2,163	-	2,163	2,126	-	2,126
Supported housing	493	-	493	491	-	491
Intermediate rents	1,651	-	1,651	1,488	-	1,488
Total	**19,670**	**333**	**20,003**	**19,369**	**414**	**19,783**
Non-social housing stock						
Leasehold	592	-	592	590	-	590
Intermediate rents	253	-	253	252	-	252
Market rented	1	-	1	5	-	5
Total	**846**	**-**	**846**	**847**	**-**	**847**
Total	**20,516**	**333**	**20,849**	**20,216**	**414**	**20,630**
Properties owned but managed by others externally						
General needs	220	-	220	220	-	220
Leasehold	16	-	16	16	-	16
Supported housing	383	-	383	364	-	364
Market rented	-	-	-	5	-	5
Sub total	**619**	**-**	**619**	**605**	**-**	**605**

The table above is prepared according to Statistical Data Return (SDR) definitions. For the purposes of this data collection, a provider is the owner of a property when it owns the freehold title or where a lease is granted by the freeholder (the leasehold for that property. The 'owner' is the landlord. The landlord has legal responsibility for the tenancy or issuing a licence and charging of rent or licence fee for occupants of the property. Landlords may (and usually do) directly manage the properties they own, or they may have an agreement for another organisation for the management of lettings and rent collection. The form of any management agreement may vary; however the landlord retains overall control of the property and all occupiers of its properties are tenants of that provider.

The lease can be of any duration, as the length of lease that the landlord holds does not determine whether it is social housing or not. Stock held on shorter leases will have been counted as stock that is managed for others.

42. Accommodation managed by agents

The Group owns properties managed by other bodies, as follows:

Property	2020	2019
Alamo Housing Co-operative	89	89
Apna Ghar	10	10
Ashford Place	-	6
Bahay Kubo Housing Association	11	11
Brent Community Housing	6	6
Brent MIND	22	22
Centrepoint	6	30
Chc Supp Housing	6	6
Echg Supp Housing (Ujima Housing Association)	13	-
Depauls	-	29
Equality Housing (Barnet MENCAP)	19	12
Equinox Care	13	13
Harrow Churches Housing Association	6	6
Harrow Council	8	7
Hestia Housing & Support	46	6
HFT	5	5
Home From Home	4	4
Karin Housing	15	15
Look Ahead Housing & Care	18	100
MACE Housing Co-operative Ltd	55	55
Refugee Support Supp Housing	12	-
RNID Support Group	6	-
Safe Start Supp Housing	24	-
Savills	-	5
Sfl Support Housing	28	-
Shp Support Housing	13	-
Spitalfields Housing Association	3	3
SSAFA	28	27
St Mark's Housing Co-operative	6	5
St Mungo's Broadway	45	35
Tamil Community Housing Association	36	36
Unit 11 Housing Co-operative Ltd	19	19
Westminster Housing Co-operative	8	9
Wandsworth and Westminster MIND	9	28
Westminster Mind	22	-
Westminster Society	8	8
Total units managed by agents	**619**	**605**

43. Financial instruments and financial management

	2020 £'000	2019 £'000
Financial assets measured at amortised cost		
Investment - financial	6,333	6,384
Shared Equity Loans	4,229	4,911
Rents receivables	7,489	9,826
Trade debtors	2,584	1,911
Stock transfer	2,075	3,411
Other receivables	6,668	12,588
Cash and cash equivalents	67,051	75,766
Total financial assets	**96,429**	**114,797**
Financial liabilities measured amortised cost		
Housing loans less than one year	74,747	27,368
Housing loans more than one year	974,096	913,540
Bank overdraft	-	-
Trade creditors	3,110	4,258
Rent and service charges received in advance	7,641	9,500
Accruals	53,678	41,679
Disposal proceeds fund	902	902
Recycled capital grant fund	12,525	10,401
Other creditors	**2,491**	**2,961**
	1,129,190	**1,010,609**

Financial Management

The main risks arising from the Group's financial instruments are as follows:

- liquidity risk;
- interest rate risk;
- counter party risk; and
- customer credit exposure.

Liquidity risk

The purpose of managing liquidity risk is to ensure that the Group meets its financial obligations when they fall due. The Group meets its financial obligations through cash flows from operating activities such as the underlying cash from rental income streams and property sales, grants from government sources and through long term borrowing from lenders. Each year the Group's Board approves the treasury management strategy and updates the treasury policy for the Group. This policy addresses funding and liquidity risk, covenant compliance and investment policy. In addition, the Group's Board receives reports on treasury activities.

Treasury services are provided to the Group by the Association.

Treasury management activities are monitored by the Board of NTSL which meets at least four times per year. From 2019-20 onwards, treasury management activities will be monitored by the Finance Committee.

The Group borrows at both fixed and floating interest rates, with the treasury policy requiring a minimum of 50% of drawn debt to be on fixed interest rates or hedged.

The Group's debt is a mixture of fixed and floating rate loans. As at 31 March 2020, 77% (2019: 82%) of the Group's debt was at fixed rates and 23% (2019: 18%) at floating rates.

The Group's treasury team monitors covenant compliance for the Group on a regular basis and is required to report on covenant compliance to the Group's lenders on a quarterly basis. At 31 March 2020 the Group complied with its loan covenants. Business plans demonstrate that it will continue to do so in the future. The borrowings summary and repayment schedule are at the nominal value.

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

Interest rate risk
The Group borrows from lenders using a mixture of short and long-term loans. the tenure of which depends on the 30-year business planning cycle and the Board's assessment of the macro-economic environment; for instance, the Board's view of the future direction of interest rate, assessment of demand and assessment of the political and legal environment. To mitigate interest risk, the Group ensures it has the right balance between fixed and variable loans in its loan portfolio.

Counter party risk
The Group's treasury policy sets minimum credit ratings for counter parties on investments and borrowings to reduce counter party risk.

The short-term counter party ratings for investments must be at least an A1/P1 or F1. There are limits of £10m for approved investment institutions with the exception of the Group's main clearing bank where the £10m limit can be exceeded for short periods or £20m for AAA rated Money Market Fund's (MMF's).

The treasury policy is reviewed annually.

The Group has a procurement policy in place and manages counter party risk by carefully selecting suppliers and development partners. This risk is mitigated by strong on-going relationship with contractors and suppliers

Customer credit exposure
The Group is exposed to the possibility of tenants not paying their rents. To mitigate this risk, the Group monitors arrears on a weekly basis and engages with tenants. Income management teams follow up any late payments promptly and have strong on-going customer relationships with our tenants.

44. Events after the end of the reporting period

Office Move
The Head office of Network Homes Limited moved from the Olympic Office Centre to the new office on 27 July 2020. The new address is The Hive, 22 Wembley Park Boulevard HA9 0HP.

Investment Properties
The valuation of investment properties, provided by the valuer, is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we keep the valuation of the investment properties under frequent review.

PSL Transfer
A number of private sector leasing properties have been handed over to Brent and Barnet Local Authorities in May 2020. The remaining units are due to transfer in August 2020.

Network Homes

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August 2020