

ISLINGTON & SHOREDITCH HOUSING
ASSOCIATION LIMITED

FINANCIAL STATEMENTS
For the year ended

31 MARCH 2020

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

**Co-operative and Community
Benefit Societies Act 2014** 11614R
Number

Homes and Communities LO457
Agency registration number

Registered Office 102 Blackstock Road
LONDON N4 2DR

Board Mervyn Jones (Chair) (Appointed 13 June 2019)
Ruth Gee
Yasmin Khan
Philip Newby
Alice Powell
Roz Spencer
Justin Fisher (Appointed 23 August 2019)
June Riley (Appointed 23 August 2019)
Heather Topel (Appointed 23 August 2019)
Stephen Stringer (Completed Service 17 September 2019)
Julian Elve (Resigned 6 November 2019)
Benjamin Tansey (Resigned 10 December 2019)

Chief Executive and Secretary Ruth Davison

Executive Directors

Colin Archer, Director of Development and New Business (Retired 31 October 2019)
Olukunle Olujide, Director of Development (Appointed 1 November 2019)
Tim Hall, Customer Operations Director (Resigned 31 May 2019)
Dawn Harrisson, Director of Housing & Neighbourhoods (Appointed 23 July 2019)
Judith Leigh, Head of People and Organisational Development
Gary Pliskin, Finance Director
Yung Yung Lee, Deputy Finance Director (Resigned 13 March 2020)

Bankers Barclays Bank Plc
Islington and Camden Group
PO Box 3474
London NW1 7NQ

Statutory Auditor Beever and Struthers
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Statement from the Chair

When I joined ISHA and became its Chair last September, I knew we had a lot to do and a full year ahead. We needed to develop a new strategic plan; improve service delivery; face up to significant challenges in relation to the new building safety regime and the move to zero carbon emissions; modernise governance structures and put residents at the heart of what we do. And then came Covid-19. It has changed the way we work, but not our determination to focus on what matters most to current and future residents.

I am proud of the progress we've made as an organisation this year. We have laid firm foundations that will serve us well. The Board is already referring to our strategy as the road map for the business.

ISHA has a new vision, mission and five-year strategic plan for the organisation.

The vision, "To co-create homes and communities where everyone can flourish," was developed with resident experience and the needs of our communities at heart and was truly an act of co-creation itself. The mission 'to be viewed as brilliant...by our residents, stakeholders and staff' by 2025, speaks for itself. The nine pillars of the plan – safety first; service and satisfaction; security and growth; somewhere; supply; sustainability – in the green sense and in terms of sustainability of the organisation – staff and systems, all have outcome measures and clear milestones for the first few years.

Repairs and communications are key drivers of service and satisfaction, an area where we know we have much to do. We have this year parted company from one poorly performing contractor, partnering instead with a local firm, who are weekly winning praise from residents. We will be re-procuring our main repairs contract this year. All managers have been on training with the Institute of Customer Service, developing action plans for improvement, and other staff will be trained this year. Critically, our staff team, in partnership with our re-invigorated resident scrutiny panel held pioneering resident action days where residents and staff together worked on knotty issues (chosen by the scrutiny panel) like anti-social behaviour and repairs communications. The actions from these days are being monitored by the scrutiny panel and reported to Board.

It was important to all of us in our governance review that the direct link between Board and residents was strengthened. We now as a Board meet the scrutiny panel at least once a year with staff present and once without. Apart from myself, we appointed three new Board members this year. Having taken a hard look we decided to abolish our housing services subcommittee and put safety - compliance and fire safety - and resident experience at the heart of Board discussions and subsequent agendas reflect that. Our committees are now audit and risk, development, and remuneration. We have invested time as a Board training on risk and assurance, established a new controls assurance framework and golden rules. They appear to be serving us well, but we plan to do a full review after a year or so of operation.

Since its foundation, ISHA has developed genuinely affordable and socially rented homes. We completed 80 in the year and supported our partners in the North River Alliance to develop 60 more.

In London, you don't build out, you build up, so we have a higher exposure to fire safety issues than most organisations of our size. Safety is our number one priority and there has been extensive testing and some work to our buildings. Where we need to, we have not hesitated to mitigate risk with waking watches and enhanced alarm systems. Getting some developers to take responsibility for work has been, and continues to be, an arduous and frustrating task.

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We have legal responsibility for seven buildings (11 blocks) above 18 meters and are leaseholders in seven more, where we are partners with our leaseholders. Forms developed by surveyors

and the mortgage industry (EWS1 forms) to shield both from financial recourse have had profound impacts on many of our leaseholders, many of whom are unable to move or re-mortgage their homes. We have plans to achieve this certification, but it is not straightforward. This is obviously a considerable driver of dissatisfaction for residents.

We are pleased that Government has agreed to partner with associations on the costs of remediation that would have been passed to leaseholders. However, we are struck by the inequity that private developers will be able to access the Building Safety Fund irrespective of the tenure of homes in their blocks. These issues are universal and stem from systemic building industry and regulatory failure. Given safety is our number one priority, we will fund these works and prioritise on the basis of nothing but risk, but this is money we could and should be spending on new and existing homes and services.

Sustainability – like much else – isn't something we have to do because there's a target. It's something we are driven to do by the imperative to save our planet and safeguard the community. That same moral imperative, rather than a tick box culture, drives our approach to equality and diversity. Our city is diverse and our staff too. Almost 68% of colleagues are from BAME groups. In many organisations that's strongly weighted to the front line, with executive teams and Boards almost exclusively white. In ISHA 45% of senior staff are BAME and although not within the scope of this financial year, our most recent Board recruitment will mean four of 11 Board members are from BAME groups. We have more to do. It is not only right, but makes good business sense, with diverse groups (not only in terms of ethnicity) making better decisions than homogenous ones.

I talked earlier of our new vision, mission and strategic plan, all developed throughout my first year. What we didn't alter were the values of the organisation. Values are (or should be) an organisation's DNA. It was those that conditioned our response to Covid 19 both as an employer and a landlord. As a wise man once said: "If your values are not your values in a crisis, they are not values, but hobbies." At the outset the team set about calling everyone they knew to be at risk or advised to self-isolate. These were not one-off welfare calls, but conversations that in some cases still continue. We partnered throughout with local authorities, carrying out work on empty homes, so they could become permanent homes for people trapped in temporary accommodation. And because of the trust we aim to build between residents and staff we have been able to carry out all compliance checks with just a handful of exceptions.

As many have said, coming out of Covid-19 will be harder than going into it, but those values will continue to guide us and we will seek to maintain those contacts in the long term and bring learning from them into the business.

These are a set of financial accounts. If you look at our benchmark group our costs are not the highest, but nor is the quality of our offer. I have detailed some of the steps we are taking to address this and deliver a product and service universally valued by residents. That's what value for money means to our residents, staff and Board.

I would like to thank that staff team, including the relatively new Leadership Team of ISHA, for the way they have partnered with the Board to drive these changes. I have enjoyed the partnership offered by Board members. Change continues and this September we will say goodbye to our Chair of Audit and Risk, Ruth Gee, whom I thank for her contribution.

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I am pleased to report that we continue to attract excellent candidates to renew the Board and committees and four new members will join at this time.

We have a way to go and there are challenges ahead. But this remains a strong, robust business and one whose values will guide it in the task ahead.

A handwritten signature in black ink, appearing to be 'Mervyn Jones', written in a cursive style.

Mervyn Jones, Chair

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Operating and financial review

Principal activities

To provide a local community-based service that manages, maintains and develops quality affordable housing for people in need in Camden, Hackney, Haringey, Islington, Tower Hamlets and Waltham Forest.

Islington & Shoreditch Housing Association Limited (ISHA) is a charitable housing association incorporated as a Co-operative and Community Benefit Society and registered with the Regulator of Social Housing (RSH). The association operates in the London Boroughs of Camden, Hackney, Islington and Waltham Forest and at 31 March 2020 had 2,331 (2018: 2,297) homes. The association also manages 19 homes (2018: 19) on behalf of London and Quadrant.

The Regulator upgraded ISHA's governance grading to G1 and regraded its financial viability grading to V2 mainly due to planned investment in St. Mary's Path Estate.

The association's development programme is designed to address housing needs in our area of operation. To achieve this, we work in partnership with our local authorities, Homes England and the Greater London Authority (GLA). As well as a programme of rented accommodation, we develop shared ownership housing for people who cannot afford to purchase on the open market outright.

For the year ended 31 March 2020 the association achieved a surplus of £2.9m (2019: £6.9m) which will help us build more homes for low cost rent. To support our ambition of building at least 400 more homes from 2020 to 2025 we have revised our development strategy to broaden opportunities to fund this ambition.

The North River Alliance (NRA), is a development consortium of housing associations operating in North and East London led by ISHA. The NRA is a trusted development partner of the GLA. There are currently eleven members of the NRA including ISHA:

Bangla Housing Association Limited;

Barnsbury Housing Association Limited;
North London Muslim Housing Association Limited

Spitalfields Housing Association Limited;
Innisfree Housing Association Limited;

Christian Action (Enfield) Housing Association Limited

Gateway Housing Association Limited;
Providence Row Housing Association Limited;

Tower Hamlets Community Housing Limited
Industrial Dwelling Society Limited

Business and financial review

The Board is pleased to report a surplus for the year to 31 March 2019 of £2.9m (2019: £6.9) for the association.

Resident communication and service excellence have remained the top priorities for ISHA this year. The Board's ambition to transform ISHA from a well-respected local housing association to a top performing landlord remains the driver of our Strategic Plan. The five-year strategic plan to 2025 has the following strands:

- Safety first – ensuring our homes are safe
- Service and satisfaction – being a consistent & quality landlord, building service delivery that drives satisfaction in partnership with residents

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- Security and growth – setting residents off on a secure footing & helping create the conditions for people to flourish in their homes
- Somewhere – anchoring ourselves in North London, especially Islington, Hackney and Waltham Forest
- Supply – building quality homes for social, London Affordable Rent and Shared Ownership
- Sustainability
 - building green and actively seeking to reduce the environmental harm caused by our stock, our building and business practices
 - stewarding ISHA’s assets and finances and taking the long view
- Staff – engaging with inspired, high performing staff
- Systems – maintaining robust IT and business systems that support the business and its ambitions

ISHA has sufficient funds to continue to build new homes and will generate the necessary income to maintain and improve services to our residents and meet loan repayments.

Value for Money

ISHA’s Board remains committed to delivering and demonstrating both value for its current and future residents and value for money. Our Board has evaluated the association’s Sector Scorecard results against our peers and has set quartile targets for where ISHA should position itself.

The association has also compared its performance with other housing associations using the RSH’s Global Accounts 2019 report. ISHA was an outlier on costs when benchmarked against housing associations in England, however, this was mainly due to the increased costs associated with operating within central London. The association’s costs are in line with its London peer group. Given the estimated spend on fire safety works and mitigations these costs will increase over the next couple of years until remediation work is completed.

The peer group selected by ISHA is London and South East based associations with stock size from 1,000 to 10,000 units. As the peer group data for 2019/20 is not available until the Autumn of 2020, we have used the 2018/19 quartile metrics for benchmarking.

The table below shows the nine metrics and how we have performed for 2019 and how we compare to our peer group median, and our actual performance in 2020.

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Metric	ISHA 2020	ISHA Quartile 2020	Revised* ISHA 2019	ISHA Quartile 2019	Peers* Median 2019
Total social housing units owned and managed	2349		2295		0
1 Reinvestment	5.9%	Q2	4.9%	Q3	5.3%
2 New Supply Delivered					
A – Social Housing	3.2%	Q1	1.5%	Q2	0.9%
B – Non-social housing	0		0		0%
3 Gearing	29.1%	Q1	29.1%	Q2	36.5%
4 EBITDA-MRI	117.2%	Q4	245.1%	Q1	167.2%
5 Headline Social Housing Cost per unit**	£6,357	Q3	£5,015	Q2	£5,731
6 Operating margin**					
A - Social housing lettings	8.1%	Q4	17.3%	Q4	25.4%
B - Overall	14.8%	Q4	33.2%	Q1	21.8%
7 Return on capital employed*	2.3%	Q4	3.4%	Q2	2.9%
Other					
Management costs	£2,828	Q1	£1,895	Q1	£3,967
Service charge costs	£4,180	Q3	£2,952	Q2	£3,076
Routine maintenance costs*	£3,987	Q3	£3,138	Q3	£2,995
Planned maintenance costs	£1,619	Q3	£446	Q2	£885
Major repairs expenditure	£321	Q2	£1,344	Q3	£382

**Peer group selected was London based Housing Association with stock size from 1,000 to 10,000 units, sample size ranged from 21 to 23 comparative data. Peer group results for 19/20 are not yet available.

*Our main contractor, Mears Group PLC, submitted late invoices relating to the year ended 31 March 2018 and 31 March 2019. These invoices had not been accrued in previous financial statements and had to be adjusted against prior year's costs. See note 28 to the accounts for details

Reinvestment – Growth

This metric measures the investment in new development and capitalised major repairs as a percentage of total costs of housing properties. The association's performance at 5.9%

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surpasses the peers' median of 5.3% and is greater than the association's 2019 growth (4.9%).

Eighty new homes were handed over during the year, meaning the organisation grew by more than three per cent, and over £1.2m was spent on capital works to improve the condition of our existing units through (amongst others):

- The replacement of 4 lifts at Shoreditch Court, Britannia Walk, Delta House and 39 Provost Street.
- The replacement of 88 boilers, 35 kitchen and 40 bathrooms to ensure modernisation and improve energy efficiency
- The replacement/installation of 90 fire doors to keep our residents safe
- The replacement of 7 (properties) windows and 15 (properties) doors to improve energy saving and enhance security

The above investment is in fulfilment of the order of priority of the areas of activity as listed in our Business Plan 2015-20.

In the coming years, the association will continue its reinvestment in line with our new Strategic Plan 2020-2025 with our first priority being ensuring our homes are safe for our residents to live in. It then prioritises service and satisfaction, but the organisation remains committed in the plan to building quality homes for social, London Affordable Rent and Shared Ownership. However, the Board continues to assess the impact of the coronavirus pandemic on the economy and will make informed decisions to ensure optimal benefits from available resources in order to support the delivery of desired services to our residents.

The target reinvestment growth for 2021 is 5%.

New supply delivered - Social Housing

This metric measures the percentage of new social units developed or acquired in the year to the stock owned at the end of the year. The 2020 result is 3.2%, well above the industry median of 1.3% and more than double the association's 2019 result (1.5%).

ISHA's strategic plan has a clear goal. The association continues to implement its development plan of building low cost homes in our areas of operation. A mixture of eighty affordable and shared ownership new homes were handed over during the year, helping to shore up our rental income. We have developed more than double our 2019 outcome and almost three times our peer group median.

The eighty units delivered were short of our planned 103 units, but the achievement is in the sector's top quartile. Our inability to meet the 2020 target was due to the delay in handing over the projects - St Johns and 317 Hoe Street respectively.

Our new vision is to **co-create homes and communities where everyone can flourish**. ISHA's 2020-25 Development Strategy gives preference to land led developments, ensuring safety, good quality of construction and more. The association's 2020-25 development programme is designed to meet the supply pillar of our new strategic plan; building quality homes for social, London Affordable Rent and Shared Ownership and; building green and actively seeking to reduce the environmental harm caused by our stock, our building and business practices. Given that the housing crisis is one of scarcity, affordability and quality we are committed to building genuinely affordable homes with life-time tenancies, though this will be harder than it has ever been especially in the current economic environment.

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For the year ended March 2021 ISHA is aiming to handover 70 homes utilising developer contributions paid to one of our core boroughs, 'Crown House funding', to augment our income, delivering all buildings with requisite assurances over building safety. We also plan to sign deals for 80 homes. We are also committed to reducing the carbon emission in our homes by 80% by 2025.

Gearing

This metric measures the level of debt to net assets, thereby estimating the business dependency on debt finance. ISHA's gearing ratio remains at 29.1% like 2019 but lower than the peers' median of 36.5%.

The lower gearing year on year is due to the continuous growth in our net assets. We scenario and stress test our business plan regularly to ensure it is resilient to withstand hard economic conditions. We also have an undrawn revolving credit facility of £40m.

Our gearing ratio is expected to continue to fall in the coming year as the association is expected to continue to increase its net assets. The target gearing for 2021 is 30%.

The Association's EBITDA-MRI

EBITDA-MRI interest cover reflects the level of surplus that the association generates compared to interest payable. The metric measures the ability of businesses to generate cash, excluding sales of existing assets, in order to meet interest payments (interest cover).

ISHA's financial strategy underpins its strategic objectives. The priority of our financial strategy is to ensure the association remains financially viable and protects service delivery to residents. Some of our lenders also measure ISHA's ability to meet the loan covenants using EBITDA-MRI.

The 2020 result of 117.2% shows that the association is able to meet its loans obligations. The Association has a lower EBITDA-MRI percentage than the peer group median of 167.2%, and lower than its 2018/19 result (245.1%). This is due to the association's lower surplus for the year, £2.9m (2019: £6.9m), a decrease of £4.0m. The decrease is mainly due to the following:

- None of the of £3m Crown House development funding received in 2019/20 could be recognised during the year, as the Alexandra Court project did not commence as planned
- Increase in total routine maintenance costs to £4.0m (2019: £3.4m) represent an increase of £0.6m to carry out various improvements on our properties
- The fire warden charges to provide waking watch in Burbage House and Lyme Grove House before cladding removal cost £575K

The long term EBITDA-MRI target is 150%.

Headline Social Housing Costs per unit

The Association's headline social housing cost per unit of £6.4k is an increase of 26% above last year's costs (£5.0K) and 11% above peer group median (£5.7K).

The contract with main contractor, Mears Group Plc is due to terminate on 28 October 2020. The contract termination has given the association an opportunity to look at procuring providers that will live and breathe our values and vision and who are aligned with the delivery of our new strategic plan, ensuring an exemplary service is delivered to our residents.

We are in the process of booking new repairs contractors and setting up new repairs processes. We are creating a new CRM-backed system to create a seamless working

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environment for our incoming contractors. The new process will enable complete monitoring of all repair jobs and increase transparency in real time. We – as opposed to contractors - will be able to assess resident satisfaction level of the jobs in a timely fashion. We will engage contractors who will deliver on our promises and provide greater value for money.

The target Social Housing Costs per unit for 2021 is £5,015.

Operating margin – Social housing lettings and overall

The **social letting operating margin** of 8.1% is significantly lower than the 2019 actual of 17.3% and peer group median of 25.4%. This is mainly due to factors listed in the EBITDA-MRI section above: Inability to recognize the £3m Crown House income, increase in planned repairs to our homes and the irrecoverable £575K fire warden charges for Burbage House and Lyme Grove House before cladding works. These also affected the overall operating margin.

The **overall operating margin** of 14.8% also fell significantly compared to 2019 (2019; 33.2%) and below the peers' median of 21.8%.

With the revised repairs process enumerated in the **Headline Social Housing Costs per unit** section above, the association's underlying operating margin is expected to improve.

Despite the current economic climate, certain costs will continue to be incurred. The first pillar of the association's 2020 - 2025 strategic plan is **safety first**, therefore we shall continue to engage fire wardens to ensure our residents living in Burbage, West Central and Lyme Grove are safe and secure until the cladding projects are completed. Compliance with fire safety regulations will also not be compromised by the association.

The target social housing letting operating margin and the overall target are expected to be in the second quartile of our peer group.

Return on Capital employed

The return on capital employed is essentially a reflection of the outcome of operating margin. The metric measures the efficient investment of capital resources by taking the operating surplus as a percentage of total assets less current liabilities.

2020 ROCE is 2.3% in contrast to 3.4% obtained in 2019 and lower than our peers' median of 2.9%.

All factors affecting the operating margin as enumerated under **EBITDA-MRI** and **Operating margin** metrics impact the ROCE. The determination of the Board to improve the operating margin and the link to our strategic plan under those metrics are equally very relevant.

Other metrics

Management Costs per unit have increased by 49.2% to £2.8K (2019: £1.9K) per unit, below the peers' median of £4.0K. The increase is due to the fire warden charges (£575K) to provide waking watch in Burbage House, West Central and Lyme Grove House before cladding removal. The Association is striving to ensure the cladding replacement is completed as soon as possible.

Some of our Operation posts were filled by temporary staff during the year. We also created a new Communications and Improvement team and employed additional staff in order to further improve the relationship with our residents.

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Additionally, we paid more compensation for disrepair this year than the prior year and as the service with Mears is ending, we believe this will drastically reduce in the next year.

Routine and planned maintenance and major repairs costs. Routine and planned maintenance costs per unit are higher than the previous year's values. The 2020 routine maintenance cost per unit is £4.0K (2019: £3.1K) while planned maintenance costs per unit is £1.6K (2019: £0.4K). The increases are mainly because of the increased cost of repairs by our main contractor. And as mentioned above, this will be addressed in the nearest future as we engage new set of repairs contractors. The high costs of routine and planned repairs are offset by an equal reduction in our Major repair costs.

Major repairs per unit is lower this year at £321 per unit (2019; £1,344). We carried our more capital major repairs than prior years, thus reducing the revenue repairs substantially.

Internal value for money targets and performance

ISHA's internal VfM and performance targets evidence the consideration of value for money in the running of the association's business. Value for Money also underpins the delivery of ISHA's vision, strategy and our five-year Business Plan 2020-2025

The internal value for money report is delivered to the Board on a quarterly basis. Actual results are reviewed against targets and rigorously appraised for potential options for improving performance. Where variance from target is noted, the association analyses the costs and benefit of alternative actions in order to ensure available resources are maximized for the benefit of the residents.

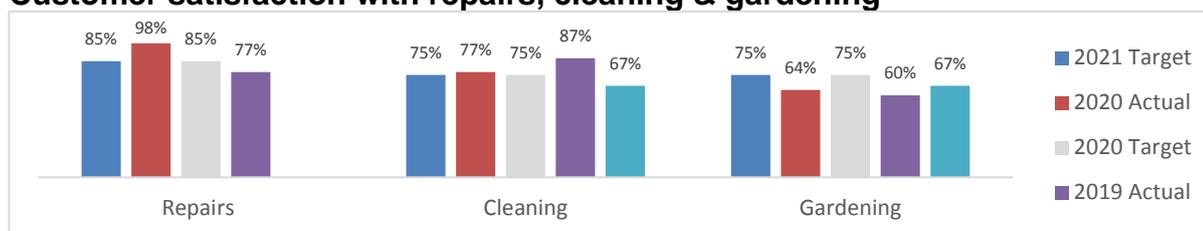
Below is the report of our internal value for money targets and performance that have not been mentioned in RSH metrics report.

Key internal VFM target	2021 target	Actual result March 2020	2020 target	Actual result March 2019	Actual result March 2018
TO PROVIDE AND MAINTAIN GOOD QUALITY AND AFFORDABLE HOMES					
Customer satisfaction with repairs	>= 85%	98%	>= 85%	77%	Not available
Customer satisfaction with cleaning	>= 75%	77%	>= 75%	87%	67%
Customer satisfaction with gardening	>= 75%	64%	>= 75%	60%	67%
Current general needs arrears as a percentage of the rent roll	<= 4.0%	6.3%	<= 4.0%	4.9%	5%
Number of new homes handed over	70	80	103	37	2
TO BE A GREAT LANDLORD					
Employee Engagement	75%	66%*	75%	68%	71%
Average staff sickness days	6.5 days	7.2 days	6.5 days	7.9 days	7 days
Cumulative staff turnover	15%	24%	15%	11%	20%
Customer Satisfaction with ISHA as a Landlord	65%	60%	85%	Not available	73%
TO VALUE OUR CUSTOMERS AND MEET HOUSING NEED					
Resolution of caller's issue at first point of contact	>= 85%	86%	>= 85%	81%	90%

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Key internal VFM target	2021 target	Actual result March 2020	2020 target	Actual result March 2019	Actual result March 2018
Average re-let days for General Needs	<= 20 days	62 days	<= 20 days	99 Days	38 Days
FINANCIAL - BUDGET CONTROL AND SALES					
Overhead spend within budget	On budget	£36k saving	On budget	£408k saving	£645k saving
Shared Ownership (Newbuild Homebuy) First Sales	21	23	21		
Value of cumulative shared ownership sales	£3.4m	£4.0m	£3.4m		
Average Number of Weeks to Complete First Sales	12wks	11wks	12wks		
ESCALATED HEALTH & SAFETY ACTIONS					
Number of properties without landlord gas safety certificates	0	0	0		
Number of overdue fire safety actions	0	39	0		

Customer satisfaction with repairs, cleaning & gardening



Our performance

Results show an increased satisfaction level against target in our cleaning service and repairs, while gardening satisfaction levels has dipped compared with last year. We have already kick started an improvement plan to address the low gardening satisfaction level.

The low satisfaction level in gardening is primarily due to contractor performance which has led to rectification notices being served on several occasions. Another area of dissatisfaction is the expectations of some residents who would like more frequent visits, but this would have an impact on contract costs which is service chargeable and therefore would have an impact on the amount residents pay for this service.

Repairs satisfaction is self-reported by our repairs contractor, and so we cannot vouch for its accuracy. Repairs satisfaction is a major factor in overall

Our plans

With the forthcoming exit of Mears, we expect our residents to report better satisfaction as work has already commenced to engage contractors who share our passion and values, including sending out a tender to 5 small and medium size and local contractors. ISHA have these small and medium-sized enterprises (SMEs) primed and ready for a smooth transfer from the Mears to our interim repairs arrangements. Residents will help select contractors.

We have already responded to our residents' gardening complaints. The gardening contractor recruited a new team of gardeners and restructured their management framework. They have implemented the use of a mobile App which monitors operatives in real time. This is already receiving positive feedback.

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<p>customer satisfaction, this is why in future we will not allow contractors to self-report satisfaction figures and we have partnered with the Institute of Customer Service to ensure that overall resident satisfaction data, including repairs, is robust and independently verified.</p> <p>Now that our contract with Mears is ending, we believe the new repairs service, co-created with residents and employing contractors who live by our values, will truly increase satisfaction.</p>	<p>ISHA has set an ambitious objective of providing excellent service and satisfaction to our residents with the ultimate goal that residents would advocate for us and would choose our homes if they had a choice.</p>
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Current general needs arrears as a percentage of the rent roll

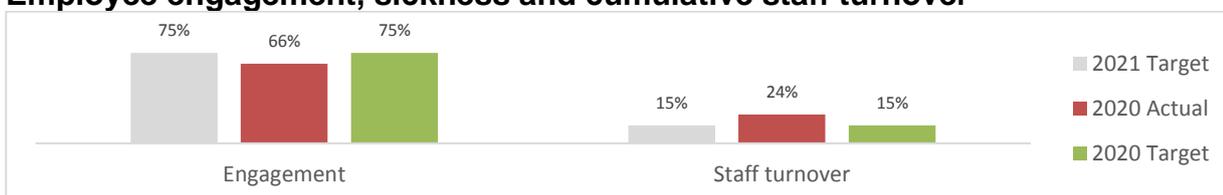


Our performance	Our plans
<p>We did not meet our arrears target for 2019/20. At 6.3%, the outcome is higher than 2018/19.</p> <p>The rise in tenants receiving Universal Credit has contributed to the increase. The number of claimants has almost doubled at the end of the year. A further increase is being experienced since March 2020.</p> <p>DWP takes approximately 4 to 6 weeks to process managed payments and longer to process Alternative Payment Arrangements (APA) applications for the payments to ISHA.</p> <p>Our performance is further hindered by the lack of an effective income collection module in our housing database Kypera, which results in much of our income collection work having to be carried out manually. This takes up a lot of staff resource.</p>	<p>We are engaging more with residents at the early stage of their arrears</p> <p>We are prioritising all Universal Credit (UC) cases and applying for managed payments and APA for arrears over £1000 on the accounts. We are planning targeted training for our UC claimants, mainly focusing on information technology skills and employability</p> <p>We have started a 2-week HB campaign, reviewing all our HB cases in order to identify cases of shortfalls and to agree payment arrangements.</p> <p>We have increased the number of Income collection officers from two full-time equivalents to three from September 2020.</p> <p>We have started work on developing a new Income Collection module in Microsoft Dynamics. This will enable the escalation of some of the arrears collection process which is not currently available in Kypera. We aim to have this new income collection system up and running by October 2020.</p>

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	<p>We are determined to improve our cashflow by minimizing arrears, as this is key to achieving our goal of providing and maintaining good quality and affordable homes. We have set a target of 4% by 2021 and less than 3% arrears by 2025 with a strategic intent to avoid eviction.</p> <p>The impact of COVID 19 has meant that long standing arrears cases could not proceed in court due to suspension of court sittings.</p>
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Employee engagement, sickness and cumulative staff turnover

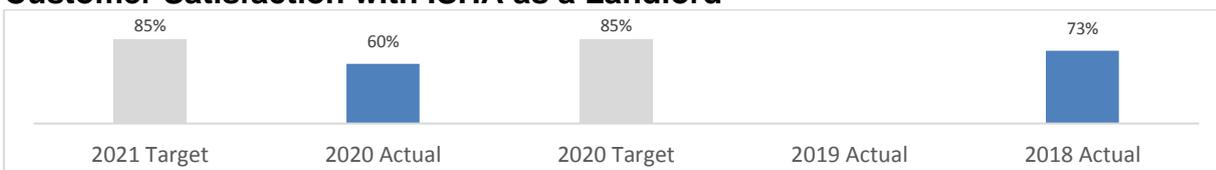


Our performance	Our plans
<p>ISHA recognizes that a healthy, happy and engaged workforce leads to increased productivity and excellent service to the residents.</p> <p>The last quarterly engagement pulse survey was run in December 2019. None was carried out in March 2020 due to COVID-19.</p> <p>The sickness levels target of 6.5 days was met in quarter 3 but was not sustained to the year end (7.2 days) due to the cumulative effect of a few long-term absences and an increase from January to March 2020 in short term sickness absences.</p> <p>Staff turnover has fallen very slightly during the course of the year but remains above target. The Leadership Team continues to monitor staff turnover very closely, analysing reasons in order to determine support required and assessing the impact on the business.</p> <p>We had a higher level of leavers during the year compared with the previous year and filled a number of roles with</p>	<p>We know that we will only achieve our ambitious strategic plan and resident satisfaction if we have engaged staff. That is why staff is one of the pillars of our strategic plan and we will set out our people objectives through the plan</p> <p>On the back of feedback from a previous Great Place to Work survey, two staff groups have been making recommendations on how things work in ISHA and assessing the customer journey. The groups organised a staff conference focusing on the customer experience. We carried out the Great Places to Work survey during the year and derived a 5-year employee engagement plan which is aligned with the strategic plan.</p> <p>We plan to improve the on-boarding experience for new joiners and to consult with staff on reward and recognition.</p> <p>We held a successful Health & Wellbeing day in May 2019 where staff had free health checks and participated in activities. We are also monitoring the</p>

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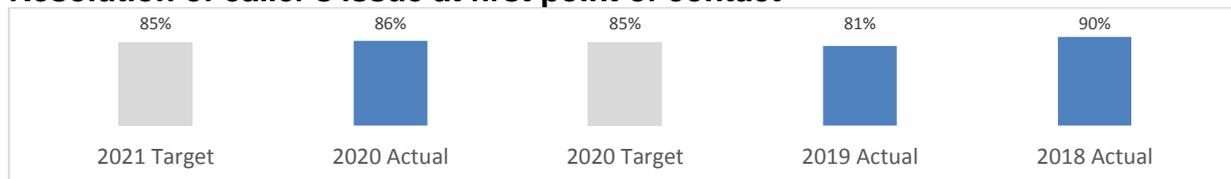
<p>temporary staff pending the appointment of two director positions. This was to allow them to make their own appointment decisions.</p>	<p>effects of the coronavirus pandemic on staff health and wellbeing.</p> <p>We aim to have a more stable workforce in 2020/21 by recruiting to the roles currently filled with temporary staff. This should improve some engagement levels in terms of commitment to ISHA. We also plan a management academy to support our managers with great people skills in line with our values.</p>
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Customer Satisfaction with ISHA as a Landlord



Our performance	Our plans
<p>In 2019/20 we achieved 60% satisfaction level with ISHA as a landlord. This is unsatisfactory and we have taken steps to ensure this improves quickly.</p> <p>ISHA joined the Institute of Customer Service during the year to develop staff customer service skills for the benefit of our residents. Training has already been provided for all Managers and service improvement plans developed and is being provided for all staff.</p> <p>We have already reconstituted the Resident Scrutiny panel consisting of an independent team of residents who work closely with ISHA’s staff, Committee and Board members to review service and performance, and suggest ways the association can do things better.</p> <p>Above all, this is about putting residents at the heart of everything we do. The new 5-year strategic plan, and our new vision for ISHA was created with all staff involved and puts co-creation with our residents at the centre of our plans for the future.</p>	<p>The Customer Relationship Management (CRM) is being rolled out to 2 more teams in 2019/20 in agreement with our strategic plan. Data gathered from the CRM will help support our staff to deliver better service to our residents.</p> <p>The CRM has also helped to identify individual weaknesses in our Customer Services Team. These are being address through training by specialists and development of working templates.</p> <p>By 2022, we plan to have our Board sign off our comprehensive Resident Satisfaction Strategy which includes customer insight, communication and approaches to areas like lifts, car parking, repairs and communications.</p> <p>By 2022 we plan to work with partners and agencies to set up a programme to support residents and develop a policy and protocol on early intervention.</p> <p>Our set goal on Customer Satisfaction as contained in our strategic plan is that by 2025, residents would choose one of our homes if they had the choice and advocate for us. Also, we aim to achieve</p> <ul style="list-style-type: none"> • 90% resident satisfaction • winning a UK Customer Service award • achieve 95% resident satisfaction with our homes

Resolution of caller's issue at first point of contact



Our performance	Our plans
<p>Our result at 86% is higher than target but lower than 2019 result (90%). This is the result of staff turnover in the Customer Services department as we lost some of our more experienced staff members during the year, whilst some residents have requested to speak with specific colleagues regarding outstanding cases.</p> <p>However, we are resolving more residents' queries at the first point of contact using the capabilities of the CRM system. The system is better able to analyse calls received, enabling our Customer Service Team to manage calls on a first contact basis. Availability of information produced by the system has made response to queries easier.</p>	<p>We continue to invest in technology in order to make our staff more efficient. Training is being provided for all staff by the Institute of Customer Services and service improvement plans rolled out.</p> <p>In January 2020, a six-month training plan was executed where the Customer Service Team and contracting partners were invited to upskilling sessions in an array of different areas.</p> <p>A buddying system was also introduced so that knowledge was shared to resident first-responders. This has now taken the form of virtual sessions with members of the Customer Service Team with different departments.</p>

Average re-let days for General Needs

2021 Target	2020 Actual	2020 Target	2019 Actual	2018 Actual
20 days	62 days	20 days	99 days	38 days

Our performance	Our plans
<p>Meeting the re-let target remains an issue as we are taking longer to let void properties than 2019.</p> <p>Delays in nominations from our partnering councils have been a big contributory factor to this outcome. Re-lets were also impacted by the St Mary's Path Project (SMP) where void properties were prioritised for SMP residents. This was further exasperated by snagging issues with void works.</p>	<p>Meetings are being held with Local Authority partners to reduce waiting lists. We will work towards minimising losses from voids in 2020/21. Once a void has been notified ISHA will request nominations from the LA and carryout viewings whilst works are underway and pre-signup residents once they have accepted the property.</p> <p>We are determined to let our properties with compassion. As of 01/02/20 we have rolled out our new improved void and letting standards with residents, with new tenancy packages that will include</p>

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	<p>carpets, curtains and a fully decorated property. We will also be spending more time with new residents, creating new tenancy packs and identifying early on if more help and assistance would be valuable etc.</p> <p>We will explore the opportunity of advertising properties on choice based lettings (CBL) platforms ourselves thereby reducing the need to wait for local authority nominations and managing the shortlists.</p>
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Shared Ownership (Newbuild Homebuy) First Sales and weeks to completion

2021 Target	2020 Actual	2020 Target	2019 Actual	2018 Actual
12 weeks	11 weeks	12 weeks	Not measured	Not measured

Our performance	Our plans
<p>As of end of March 2020, sales exceeded targets by 557k, achieving total sales income of £4.0m.</p> <p>All available units as at 9 March 2020 with the exception of one home at Trays Hill Close (Ashmount) were sold during the year. 859 Lea Bridge Road units which was handed over on 10 March 2020 were not sold.</p> <p>Sale periods varied between 4 and 35 weeks, averaging 11 weeks. This is just below the 12 weeks target set for the year.</p>	<p>Our target by 2021 is to sell all our homes within 12 weeks of handover and in 8 weeks by 2025.</p> <p>We will be working harder to improve our relationship with our homeowners. We plan to establish a shared ownership and leasehold team within our organisational structure, to serve our Homeowners better.</p> <p>We have started to obtain the external wall fire review (EWS1) certificates for our Homeowners to enable them to meet mortgage lenders' requirements for staircasing or resale purposes.</p>

Number of properties without landlord gas safety certificates and number of overdue fire safety actions

Type of target	2021 Target	2020 Actual	2020 Target	2019 Actual	2018 Actual
Number of properties without landlord gas safety certificates	0	0	0	Not measured	Not measured
Number of overdue fire safety actions	0	39	0	Not measured	Not measured

Our performance	Our plans
<p>The Association take the safety of our residents very seriously. The Grenfell fire was a wake-up call for the nation, not only because it revealed systemic</p>	<p>To improve our service, we have established a Building Safety Team and</p>

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<p>building safety and regulatory failures, but because it highlighted the degree to which the voices of residents had been ignored.</p> <p>ISHA’s target is to ensure all landlord gas safety certificates are issued promptly and fire safety actions are dealt with without any delay. No gas safety certificate was pending at the end of the financial year.</p> <p>However, 39 fire safety actions were overdue at the end of the year due to COVID-19 and the inability to procure fire doors within the prescribed timeframes and the high demand.</p>	<p>enhanced our Health & Safety Committee to assess all Health & Safety reports.</p> <p>We have set an ambitious safety first goal for all our homes. By 2025 our goal is answer yes to the question “would we have someone we love live in our homes?”. We will work towards a fail proof system for health and safety compliance in gas safety, legionella, asbestos e.t.c</p> <p>We have started working on our resident engagement strategy for building safety to provide residents with better information, listen to their concerns and take action to ensure “safety first” is always achieved.</p> <p>We are working on obtaining EWS1 certificates for our tall buildings. The external intrusive survey work has now been completed to all ISHA freehold buildings over 18m. We have sent letters to residents explaining the process for EWS1 and will continue to engage with them on the progress and outcome of the inspections.</p> <p>In the coming years, we plan to investigate buildings below 18 meters to establish whether the aluminium composite material (ACM) is present and to plan remedial actions.</p>
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Investment plan

The draft asset management strategy is based on the following principles:

- Programming delivery of works in the most efficient and cost-effective manner
- Delivering sustainable investment, contributing to reducing carbon emissions and benefiting the local community.

We aim to provide quality accommodation right at the start of the tenancy and then follow this up by providing a resident-focused maintenance service.

The objective of our Asset Management Strategy is to keep dwellings in good condition in the most cost-effective ways. We will bring properties up-to-date and in line with current and projected resident expectations and demand so that our residents are satisfied with their accommodation. We will do this through:

- An efficient and effective voids repair service, helping to speed the repairs process and protect revenue
- An efficient and effective responsive repairs service

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- Ensure works comply with current and prospective regulations
- Provide a balance between responsive and cyclical repairs and capital investment
- Cyclical maintenance to prevent deterioration in the physical condition of the stock
- Replacing components just before they would otherwise require ongoing multiple response repairs
- Refurbishment and remodelling of dwellings to ensure they remain attractive, meet modern requirements and resident expectations
- Achieve high standards of energy efficiency

In 2021, we will reach out to our community by developing an engagement strategy targeting schools and charities including use of our well-equipped IT training suite. We are working towards being a partner of choice for local authorities and other partners in Islington, Hackney, Waltham Forest and the surrounding area. We are developing a framework that will allow us to contract with local businesses.

We acknowledge we have a long journey ahead in terms of building services that drive excellent satisfaction and we will partner with residents and others with the expertise to deliver this.

Our vision is clear – “To co-create homes and communities where everyone can flourish”. And “by 2025 we will be viewed as a brilliant housing association by our residents, stakeholders, and our staff”. We know this does not come easy, but our Board, Leadership Team and staff are committed to executing our well-articulated strategic objectives.

Maintaining financial viability

ISHA’s financial strategy underpins the strategic objectives. We must ensure that the business remains financially viable and protects service delivery to customers.

We review annually the mitigating assumptions to make sure we are financially viable. These have been particularly challenging in the last four years because of the 1% year on year reduction in rent which results in loss of income of about £6m.

Mitigating assumptions have been incorporated into the 30-year plan. Overall, the model demonstrates that these mitigations are sufficient to maintain the association’s financial viability.

ISHA has met and is forecast to meet all its loan covenants and has sufficient headroom with its existing facilities to fund its development programme to 2021.

We have further strengthened our assessment of long-term viability to make sure our assets are protected by:

- Maintaining a record of assets and liabilities, and all contractual agreements, and a method for making sure it is kept up to date;
- Stress tested the business plan across a range of scenarios that would break the plan. From these tests we have identified further key mitigations to protect the business from breach of viability.
- Continuous Board oversight on the association’s strategic register

The 2019/20 financial statements are compliant with the accounting standards introduced by the Statement of Recommended Practice; Accounting by registered social housing providers update 2018.

Equality and diversity and employees

ISHA is committed to ensuring that at the point of service, the needs of the individual have been considered and actively examines its practices to ensure that services do not have a differential impact on a group or groups of people within the communities it serves. At the year end, ISHA had 57.83 full time equivalent staff. Across the boroughs we operate in, a significant proportion of people in housing need are from black and ethnic minority communities. This is reflected at ISHA where 68% of our staff are from black and ethnic minority communities.

Health and Safety

ISHA recognises its responsibilities on all matters relating to Health and Safety. We have appointed a Building Safety Manager and Building Safety Officer in readiness for the new Building Safety Regulator and have a Compliance Team for all other H&S issues within residents' homes. The Board receive regular updates on all matters of Health & Safety so that they can adequately assured about the management of issues.

The Board regularly reviews and monitors its policies and provides staff training and education. ISHA ensures good practice and compliance with fire regulations and maintained its compliance with fire safety standards. We continue to work with MHCLG in remediating buildings with ACM and other external wall systems which may contain combustible materials.

Governance

The Board is responsible for the overall strategic direction of ISHA, which includes the approval, monitoring and compliance of key policies and to ensure that the objectives of the association are achieved. As part of a governance review during 2019-20 the Board agreed to increase the number of meetings to seven times per year, with one additional away day and one residential. The Board also reviewed and adopted a new committee structure. The previous Housing Services Sub-Committee was abolished so that the Board directly assumed key issues of concern to residents – service delivery and safety. The Resident Scrutiny panel was incorporated into the governance structure and now meets with the Board without the Executive team present at least once per year. The Governance and Finance & Resources Committee were dissolved and replaced with an Audit & Risk Committee and a Remuneration Committee – the former to allow the organisation to review risk and mitigation in further detail. The third committee of the Board is the Development Committee. A new risk assurance framework was also adopted. During 2019-20 the Board carried out a review of the vision and mission of the organisation. It approved a new strategic plan for 2020-25 with the vision “To co-create homes and communities where everyone can flourish.” ISHA is committed to attaining the highest standards of corporate governance and will keep its Board structure and procedures under review. The day-to-day operational control of the association is delegated to the Leadership Team.

The Board has delegated responsibility for audit supervision to the Audit & Risk Committee and employs independent auditors for both internal and external audit. The Audit & Risk Committee consists of voluntary members who, by virtue of their position, are themselves independent from the paid officers of the association.

All Board members are required to subscribe to the agreed aims of the association. The Board's responsibilities in respect of the financial statements are set out as follows:

Internal control

The Board is responsible for ISHA's system of internal control and reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or

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eliminate all risks. However, the system of internal control is designed to manage risk and to provide reasonable assurance regarding the safeguarding of assets, control of risk, maintenance of proper accounting records and the reliability of financial information.

The Board and its Audit and Risk Committee carry out monitoring activities to ensure that appropriate control procedures are in place and changes required to these are identified and actioned. To this end, they are assisted by internal audit arrangements carried out by a professional firm. There are formal procedures for reporting weaknesses in internal controls or fraud and as part of these controls, internal audit and senior officers of the association have access to the Board and Audit and Risk Committee. No material weaknesses in internal control have been identified which require disclosure in the financial statements.

There is a clearly defined organisational structure based upon the system of delegation set out in standing orders, financial regulations, policies and procedures, which were updated and approved by the Board on 13 November 2019 as part of the regular review of our systems.

ISHA is committed to regular, timely and accurate financial management reporting. Such reporting includes quarterly budgetary control arrangements, including reporting on variances and regular reports on the revised performance management framework. All of the Leadership Team take internal control seriously. Staff are encouraged to discuss ways in which procedures can be improved with their managers in an open way. Directors are required to report to the Chief Executive on the effectiveness of the controls. The Chief Executive reports to the Board on the appropriateness and effectiveness of the systems of internal control.

The Board receives confirmation that controls continue to operate from three main sources. These are:

- Internal audit reports prepared according to an agreed plan over a three-year cycle;
- External auditors' management letters;
- Compliance reports issued by the Regulator.

There were no major instances of the failure of controls to operate and this was reported to the Board.

The Board is aware that neither the external auditor nor the Regulator of Social Housing have any specific responsibility to identify shortcomings in ISHA's systems of internal control. The responsibility rests solely with the Board.

The Board obtains additional assurance through other sources including the internal audit process as the principal reassurance on control matters.

Statement of compliance

ISHA's Rules of Association were approved by Shareholders in September 2014. They are based on the NHF Model Rules 2011 with 2014 updates as per changes in legislation or regulatory guidance. ISHA has adopted the National Housing Federation's Code of Governance (2015) - "*Promoting board excellence for housing associations*" in order to ensure that its governance systems and practices are robust. A self-assessment of compliance against the Code was fully reviewed by the Board in June 2020. The Board is satisfied that the annual report can state that ISHA complies with the NHF Code of Governance (2015).

In addition, the Board confirm that they have complied with the RSH's Governance and Financial Viability Standard.

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Risk management

On 10 December 2019, ISHA Board approved a new assurance framework which is linked to the association's risk management framework. It uses the three lines of defence model and introduced a twice -yearly control risk self-assessment (CRSA) exercise by Leadership Team to provide assurance to the Board on the design and operation of internal controls by staff.

As part of the evaluation and monitoring of risks, the Leadership Team and the Board have reviewed the risks facing ISHA in the current economic climate. The Board set aside its February awayday agenda to concentrate on risk. Externally facilitated discussion was centred upon cautious appetite, balancing the need for growth and the potential risks. That board debate resulted in an agreed approach to risk appetite and an assessment of the organisation's current appetite. The approach agreed was to put a set of golden rules in place. These golden rules represent a way to express the association's risk appetite and also enforce that appetite on strategic and operational decisions. Financial viability remains the highest monitored risk at Executive, Board and Regulator level.

The strategic risk register was redesigned by the Leadership team in autumn 2019 with the following improvements:

- Risks are categorised under the association's objectives and are rated according to the likelihood of the event happening as well as the consequence should the event occur.
- The Association also implemented a trigger for flagging risks to Board.
- Highlight controls that need to be in place and the confirmation by the LT of their existence and effectiveness.

The strategic Risk register is reviewed and approved at each Audit and Risk Committee and Board meetings.

- At the Audit and Risk Committee meeting of 26 February 2020, the strategic risk register was reviewed, and the committee agreed that appropriate risks are identified, the risk ratings are suitable, and the right levels of controls are in place and

The Strategic Risk Register was approved by Board on 17 September 2019, 23 January and 19 March 2020.

Auditors

Following a tendering process of ISHA's External Auditors, Beever and Struthers were appointed as auditors by the Board on 19 February 2020.

A resolution to re-appoint Beever and Struthers will be proposed at the forthcoming annual general meeting.

The report of the Board was approved on 16 September 2020 and signed on its behalf by:



Mervyn Jones
Chair of the Board

BOARD'S RESPONSIBILITIES STATEMENT (RSHP registered in England and registered under the Co-operative and Community Benefit Societies Act 2014)

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation 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 association and of its income and expenditure for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with Co-operative and Community Benefit Societies Act 2014 the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Opinion

We have audited the financial statements of Islington & Shoreditch Housing Association (the association) for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the 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 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 to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 other information comprises the information included in the Statement from the Chair and the Operating and financial review, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Use of our report

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

Beever and Struthers

Statutory Auditor: Beever and Struthers
Address: 15 Bunhill Row,
London
EC1Y 8LP

Date: *22 September*
2020

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

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

	Notes	2020 £'000	Restated 2019 £'000
Turnover	2	24,650	23,130
Operating costs	2	(20,995)	(17,243)
Surplus on sale of properties and land	20	3,386	1,878
Donation	30	-	2,689
Operating surplus	2	7,041	10,454
Interest receivable		120	48
Interest and financing costs	7	(3,886)	(3,409)
Movement in fair value of investment properties	9	(391)	(222)
Surplus for the year		2,884	6,871
Initial recognition of multi-employer defined benefit scheme	23	-	(1,115)
Actuarial gains (losses) in respect of pension scheme	23	1,743	(542)
Total comprehensive income for the year		<u>4,627</u>	<u>5,214</u>

All amounts relate to continuing operations. The accompanying notes on page 33 to 67 form part of these financial statements.

The financial statements were authorised and approved by the Board on 16 September 2020.



Mervyn Jones
(Chairman)



Ruth Gee
(Chair of the Audit and Risk Committee)



Ruth Davison
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

Income and Expenditure Reserves	Notes	£'000
Balance as at 31 March 2018	28	76,055
Total comprehensive income for the year		7,875
Other comprehensive income for the year		(542)
De-recognition of Lien Viet reserves		(2,857)
Prior year adjustment	28	<u>(780)</u>
Balance as at 31 March 2019	28	79,751
Comprehensive income for the year		2,884
Other comprehensive income for the year		<u>1,743</u>
Balance as at 31 March 2020		<u><u>84,378</u></u>

The accompanying notes on page 33 to 67 form part of the financial statements.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		2020	Restated
		£'000	2019
FIXED ASSETS			£'000
Tangible fixed assets	8	283,696	276,512
Investment Properties	9	19,618	20,009
Intangible Assets	10	<u>129</u>	<u>166</u>
		303,443	296,687
CURRENT ASSETS			
Properties held for sale	11	4,771	2,533
Trade and other debtors	12	4,226	5,706
Cash and cash equivalents		14,888	20,089
		<u>23,885</u>	<u>28,328</u>
CREDITORS: amounts falling due within one year	13	<u>(17,712)</u>	<u>(14,361)</u>
NET CURRENT ASSETS		6,173	13,967
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>309,616</u>	<u>310,654</u>
CREDITORS: amounts falling due after more than one year	14	221,631	225,449
PROVISIONS FOR LIABILITIES			
Defined benefit pension liability	23	1,174	3,072
Other provisions	24	2,433	2,382
TOTAL NET ASSETS		<u>84,378</u>	<u>79,751</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		2020 £'000	Restated 2019 £'000
RESERVES			
Share capital – Non-Equity	18	-	-
Income and expenditure reserve		<u>84,378</u>	<u>79,751</u>
Total Reserves		<u><u>84,378</u></u>	<u><u>79,751</u></u>

The accompanying notes on page 33 to 67 form part of these financial statements.

These financial statements were authorised and approved by the Board on 16 September 2020 and were signed on their behalf by:



Mervyn Jones
(Chairman)



Ruth Gee
(Chair of Audit & Risk Committee)



Ruth Davison
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

		2020	Restated
	Notes	£'000	2019
			£'000
Net cash generated from operating activities	(a)	8,971	6,114
Cash flow from investing activities			
Purchase of tangible fixed assets		(14,365)	(13,878)
Proceeds from sale of tangible fixed assets		5,755	4,730
Grants received		1,554	2,822
Interest received		120	48
		<u>2,035</u>	<u>(164)</u>
Cash flow from financing activities			
Interest paid		(3,886)	(3,409)
Loan drawdown		-	15,000
Repayment of borrowings		(3,350)	(3,091)
		<u></u>	<u></u>
Net change in cash and cash equivalents		(5,201)	8,336
Lien Viet net change in cash on Transfer of Engagement	30	-	542
Cash and cash equivalent at the beginning of the year		20,089	11,211
Cash and cash equivalent at the end of the year		<u>14,888</u>	<u>20,089</u>

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

a. Cash flows from operating activities

		2020	Restated
		£'000	2019
			£'000
Surplus for the year		2,884	6,871
Adjustments for non-cash items:			
Depreciation and amortisation of fixed assets		3,844	3,776
Amortisation of grant income		(1,441)	(1,322)
Decrease/(Increase) in trade and other debtors		1,480	(2,919)
Increase in trade and other creditors		3,671	546
(Increase)/decrease in properties held for sale		(2,238)	146
Net gain on sale of fixed assets		(3,386)	(1,878)
Movement in value of investment property		391	222
Donation		-	(2,689)
Adjustments for investing and financing activities			
Interest payable		3,886	3,409
Interest receivable		(120)	(48)
Net cash from operating activities		<u>8,971</u>	<u>6,114</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

1a Legal status

The Association is incorporated in England with limited liability as a charitable Housing Association under the Co-operative and Community Benefit Societies Act 2014. The registered office is 102 Blackstock Road, London N4 2DR.

Lien Viet Housing Association Limited was a subsidiary of Islington & Shoreditch Housing Association Limited (ISHA) up to 31 March 2019. Lien Viet Housing Association Limited was a registered provider of social housing.

On 26 March 2019, a special resolution was passed setting out that the assets and liabilities, including its trade, of Lien Viet Housing Association would be transferred to ISHA as part of the Transfer of Engagements process under Section 110 Co-Operative and Community Benefit Societies Act (CBSA) 2014 with an effective date of 31 March 2019. The transfer of engagements from Lien Viet to Islington & Shoreditch Housing Association was registered with the FCA on 31 May 2019. Lien Viet was deregistered from the FCA on 22 July 2019.

1b Accounting Policies

Basis of accounting

The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

ISHA is a public benefit entity whose financial statements have been prepared in accordance to FRS 102.

The financial statements are presented in Sterling (£), which is the functional currency of ISHA.

Disclosure exemptions

The Association has adopted the following disclosure exemptions as permitted under FRS 102 Section 1.11-12:

- The requirement to present a statement of cash flows and the related notes,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure and management of financial risks.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Going concern

The Association has adequate financial facilities in place to resource its day to day operations and committed development programmes. The Association's long-term business plan shows that it is able to meet long term debt requirements whilst complying with all lender covenants.

The Board have considered the impact of COVID19 on its operations and have concluded that there is a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. No other significant concerns have been noted in the business plan updated for 2019/20.

Therefore, the association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Foreseeable future being at least twelve months after the date that the report and financial statement are signed.

Significant judgement and estimates

The preparation of the financial statements requires management to make significant judgements and estimates when applying accounting policies. The items in the financial statements where these judgements have been made are as follows:

Impairment

Management continuously review the performance of its assets to identify any schemes that display indicators of impairment. Management pay attention to schemes that have increasing void losses, have been affected by policy changes or where the decision has been made to dispose of a property.

Where there is evidence of impairment, the fixed asset is written down to the recoverable amount and any impairment losses are charged to operating surpluses.

The recoverable amount is estimated in the following way:

- a) Determine the level at which the recoverable amount is to be assessed (i.e. the asset level or the cash generating unit (CGU) level)
- b) Estimate the recoverable amount of the cash generating unit and
- c) Calculate the carrying amount of the cash generating unit and
- d) Compare the carry amount to the recoverable amount to determine if an impairment loss has occurred.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Estimation of uncertainty

- **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2020 was £45.3m (note 8).

- **Defined benefit obligation**

The Association participates in the Social Housing Pension Scheme (SHPS); administered independently by the Pensions Trust. The Pension Trust provides the estimate of the defined benefit pension obligation based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increase. Variation in these assumptions may significantly impact the liability and the annual defined benefit expense (as analysed in Note 23).

- **Capitalisation of property development costs**

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required.

For existing properties, expenditure is capitalised where it will result in enhancement of economic benefit. The amount capitalised in the year was £0.9m (note 8) relating to various schemes.

- **Fair value measurement**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how the market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to investment properties. The total value of investment properties was £19.6m at the year end (note 9).

- **Subsidiary**

The Association has a dormant subsidiary, Urban Style Limited which had no transactions or balances in the year to consolidate into the association. As stated in note 1a, Lien Viet assets and liabilities were transferred to ISHA on 31 March 2019. Further details are in note 29.

Turnover and revenue recognition

Turnover comprises rental and service charge income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value, excluding VAT where recoverable, of services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point where properties under development reach practical completion or otherwise become available for letting, net of voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of the agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value Added Tax

The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as current liability or asset.

Interest Payable

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

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

- a) interest on borrowings to finance the development programme after deduction of related grants received in advance; or
- b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure.

Financial instruments

Financial instruments which meet the criteria of basic financial instruments as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied).

Debtors

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

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised costs using the effective interest method.

Employee benefits

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

Pension

The Association participates in the Social Housing Pension Scheme (SHPS); administered independently by the Pensions Trust. In the previous year, it was not possible to identify the underlying assets and liabilities belonging to

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

individual participating employers therefore the association had applied defined contribution accounting. For the year ended 31 March 2018, the association had recognised a past service deficit liability of £1,415k, within creditors, based on the present value of the association's deficit funding agreement.

For the year ended 31 March 2019, the association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The deficit funding agreement liability that was previously recognised within creditors of £1,415k was derecognised on 1 April 2018 and an initial net defined benefit liability of £2,530k was recognised at this date in the statement of financial position. The resulting net difference of £1,115k on initial recognition of the SHPS obligation was recognised in other comprehensive income for the year ended 31 March 2019.

As at 31 March 2020, the net defined benefit pension liability was £1,174k (2019: £3,072k) which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. (Refer to Note 23 for more details).

Contributions payable from the association to the Pension Trust under the terms of the funding agreement for past deficits is recognised as a liability within other provisions in the association's financial statements.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

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

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Intangible Assets

Intangible Assets consists of costs relating to the development of an integrated Housing and Finance system which was implemented during 2016/17.

Government grants

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

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the RSH. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Where developments have been financed wholly or partly by Social Housing Grant (SHG), a deduction is made to provide cover for development overhead.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

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

The Association depreciates the major components of its housing properties on a straight-line basis from the year of purchase or in the first year following that of completion of new properties on the following basis:

Roof structure	100 years
Windows, external doors	30 years
Gas boilers, fires	15 years
Kitchens	20 years
Bathrooms	30 years
Central heating	30 years
Communal parts	30 years
Plumbing and infrastructure	30 years
Electrics	40 years
Lifts	20 years

Freehold land is not depreciated.

Impairment

Annually housing properties are assessed for impairment indicators.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the Group is not yet permitted to or significant future investments that will enhance the assets' performance of the cash generating unit being tested.

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

Depreciation of other tangible fixed assets

Other fixed assets are included at cost to the association less depreciation, which is provided on a straight-line basis over the periods shown below:

Office furniture, equipment and motor vehicles	4 years
Scheme equipment	10-15 years
Freehold office	50 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal process and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Depreciation of intangible fixed assets

Intangible fixed assets are capitalised at the cost to the association. Amortisation is calculated on a straight-line basis over the course of 7 years, which is the expected useful life of the asset. Cost includes all expenditure related to preparing the asset for its intended use.

Capitalisation of development costs

Development administration costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only direct costs are included.

Major repairs

Where a repair involves replacement of property components, the expenditure is treated as capital expenditure and depreciated as outlined above. Any other replacement, renewal or repair to the fabric of an existing building that enhances the net income generated from the property or

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

substantially increases its useful life is capitalised. All other repairs are treated as revenue items.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the association. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the association recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the association has a present obligation (legal or constructive) as a result of a past event, it is probable that the association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

The Association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Taxation

ISHA is a charitable Housing Associations and is not taxable on any surpluses derived from charitable activities.

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income within operating surplus.

Transfer of Engagement

In 2019, the transfer of Lien Viet was accounted for using the principles of merger accounting. The transaction was akin to a group reconstruction by way of a hive-up of the assets from the subsidiary, Lien Viet to the parent, ISHA. Due to the nature of the transaction a hybrid merger accounting approach is applied where the prior year comparatives are not restated.

The net assets of Lien Viet transferred were recognised at their book value as at 31 March 2019, including the fair value adjustments when Lien Viet first became a subsidiary. Further details are available in note 30.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of turnover, cost of sales, operating costs and operating surplus - continuing activities

2020					
	Note	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	3	18,311	-	16,827	1,484
Other social housing activities					
First tranche shared ownership sales		3,957	2,206	-	1,751
Development activities		-	-	410	(410)
Fees for development services		311	-	311	-
Management fees		493	-	333	160
Other		56	-	25	31
Activities other than Social Housing					
Commercial properties		1,153	-	661	492
Private renting		369	-	222	147
SUBTOTAL		<u>24,650</u>	<u>2,206</u>	<u>18,789</u>	<u>3,655</u>
Sale of properties and land		5,755	-	2,369	3,386
TOTAL		<u><u>30,405</u></u>	<u><u>2,206</u></u>	<u><u>21,158</u></u>	<u><u>7,041</u></u>
2019					
	Note	Turnover £'000	Cost of sales £'000	Restated Operating expenditure £'000	Restated Operating surplus £'000
Social housing lettings	3	16,316	-	13,493	2,823
Other social housing activities					
First tranche shared ownership sales		2,850	1,714	-	1,136
Development activities		-	-	415	(415)
Fees for development services		81	-	81	-
Management fees		1,036	-	719	317
Other		1,455	-	26	1,429
Activities other than Social Housing					
Commercial properties		1,046	-	644	402
Private renting		346	-	151	195
SUBTOTAL		<u>23,130</u>	<u>1,714</u>	<u>15,529</u>	<u>5,887</u>
Sale of properties and land		3,031	-	1,153	1,878
Donation		2,689	-	-	2,689
TOTAL		<u><u>28,850</u></u>	<u><u>1,714</u></u>	<u><u>16,682</u></u>	<u><u>10,454</u></u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars of Income and expenditure from social housing lettings

	Housing £'000	Supported Housing £'000	Shared Ownership £'000	2020 £'000	Restated 2019 £'000
Income					
Rents receivable net of identifiable service charges	11,788	445	2,126	14,359	12,934
Service charge income	1,544	298	669	2,511	2,060
Amortised government grant	1,441	-	-	1,441	1,322
Turnover from social housing lettings	14,773	743	2,795	18,311	16,316
Operating costs					
Service charge costs	3,261	283	636	4,180	2,952
Management	1,699	260	869	2,828	1,895
Routine maintenance	3,843	144	-	3,987	3,362
Planned maintenance	1,556	63	-	1,619	446
Major repairs expenditure	321	-	-	321	1,344
Bad debts	290	21	-	311	67
Depreciation of housing properties	3,207	106	268	3,581	3,427
Operating expenditure on social housing lettings	14,177	877	1,773	16,827	13,493
Operating surplus on social housing letting	596	(134)	1,022	1,484	2,823
Void losses	(116)	(121)	(1)	(238)	(198)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Key management personnel

The aggregate emoluments payable to the key management personnel (Senior Executive) is £578K (2019: £521K).

	2020	2019
	£'000	£'000
Basic salaries	526	481
Pension contributions	52	40
	<u>578</u>	<u>521</u>

Remuneration payable to the highest paid director in relation to the period of account amounted to £103K (2019: £24K) excluding pension contributions.

Ruth Davison joined the ISHA on 6 January 2019 as the Chief Executive of the association. She received remuneration for the year ending 31 March 2020 totalling £116K (2019 £26K). She is a member of defined benefit pension scheme. The scheme was funded in line with the pension scheme guidelines of the association.

All permanent Senior Executives are members of the Social Housing Pension Scheme. They are ordinary members of the pension scheme with no enhanced or special terms. The Association did not make any further contributions to individual arrangements for its Senior Executives.

The full-time equivalent number of staff (including directors) who received remuneration in excess of £60,000 are as follows:

	2020	2019
	No.	No.
£60,001 to £70,000	2	2
£70,001 to £80,000	2	1
£80,001 to £90,000	1	2
£90,001 to £100,000	-	-
£100,001 to £110,000	1	2
£110,001 to £120,000	1	-

Board members

None of the board members received emoluments (2019: nil).

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Employee information

The average monthly number of persons employed by the association during the year expressed in full time equivalent of seven hours a day are as follows:

	2020	2019
	No	No
Housing, development and administration staff	58	59
Estate officers	4	5
	<u>62</u>	<u>64</u>

Employee costs:

	2020	2019
	£'000	£'000
Wages	2,357	2,409
Social security costs	251	237
Pension costs	382	220
	<u>2,990</u>	<u>2,866</u>

6 Operating surplus

The operating surplus for the year is arrived after charging:

	2020	2019
	£'000	£'000
Depreciation:		
Housing properties	3,581	3,379
Other tangible fixed assets	210	179
Amortisation of intangible assets	37	37
Surplus on sale of properties and land	3,386	1,878
Auditors' remuneration (excluding VAT):		
- Audit of the financial statements of the association	33	42
- Audit of subsidiary financial statements	-	6
Non-audit services – VAT advisory and Corporation tax compliance service	9	12
	<u> </u>	<u> </u>

Capitalised interest is based on a calculation of the average cost of borrowing incurred by the association during the financial year. This amounts to 3.64% (2019: 3.64%).

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Interest and financing costs

	2020	2019
	£'000	£'000
Defined benefit pension charge	68	62
Housing loans	4,390	4,174
Less: Capitalised interest	(572)	(827)
	<u>3,886</u>	<u>3,409</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tangible fixed assets

	Social Housing Properties Held for Letting	Shared Ownership Properties Completed	Properties under construction	Subtotal Housing properties	Freehold Office	Other Fixed Assets	Subtotal Other Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2019	242,119	42,721	30,056	314,896	795	2,851	3,646	318,542
Additions	1,229	316	14,941	16,486	-	247	247	16,733
Reclassification	2,205	(2,205)	-	-	-	-	-	-
Interest capitalised	-	-	572	572	-	-	-	572
Disposals	(1,838)	(3,313)	(1,680)	(6,831)	-	-	-	(6,831)
Schemes completed	14,316	9,213	(23,529)	-	-	-	-	-
At 31 March 2020	258,031	46,732	20,360	325,123	795	3,098	3,893	329,016
Depreciation								
At 1 April 2019	38,332	1,352	-	39,684	242	2,104	2,346	42,030
Released on disposals	(441)	(76)	-	(517)	-	-	-	(517)
Reclassification	(176)	176	-	-	-	-	-	-
Charge for the year	3,313	268	-	3,581	16	210	226	3,807
At 31 March 2020	41,028	1,720	-	42,748	258	2,314	2,572	45,320
Net book value								
At 31 March 2020	217,003	45,012	20,360	282,375	537	784	1,321	283,696
At 31 March 2019	203,787	41,369	30,056	275,212	553	747	1,300	276,512

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tangible fixed assets (continued)

Expenditure in works to existing properties

	2020	Restated
	£'000	2019
		£'000
Components capitalised	918	493
Amounts charged to income and expenditure	5,927	3,867
	6,845	4,360

Social housing assistance

	2020	2019
	£'000	£'000
Total accumulated social housing grant received or receivable as at 31 March:		
Recognised in the Statement of Comprehensive Income	1,180	1,322
Held as deferred income	128,551	128,595
Subsumed within reserves	19,176	17,854
	148,907	147,771

9 Investment properties: non-social housing properties held for letting

	2019
	£'000
At 1 April 2019	20,009
Decrease in value	(391)
At 31 March 2020	19,618

The investment properties consist of commercial and market rent properties and were valued as at 31 March 2020. These were valued by Res-Prop Chartered Surveyors, external professional Valuers who are registered with the Royal Institute of Chartered Surveyors (RICS). The valuation was prepared on the basis of market Value which complies with the Fair Value definition under part A, the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13. Market Value, defined by VPS4 of the Red Book as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

For the valuation of these commercial properties, a rent capitalisation methodology was adopted (rent and yield approach) coupled with an assessment of what an owner occupier might pay to arrive at the fair value, with reference to respective rental and capital value market data/sentiment. The yield, capital value and rental data were obtained from commercial agents, auction sale data and commercial property databases.

The residential valuations were valued on an individual unit sale of a long leasehold interest with no onerous terms or ground rent. The valuation approach was based on the vacant possession value discounted to reflect the limitations to the market that the unit may be let. The valuation was also cross-checked on the gross yield basis using the passing rents provided.

Res-Prop Chartered Surveyors have noted the uncertainty on the world economy due to the outbreak of Coronavirus (COVID-19). Res-Prop have therefore noted that the valuations are *"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 our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review"*.

10 Intangible assets

	2020 £'000
Cost	
At 1 April 2019	257
At 31 March 2020	<u>257</u>
Amortisation	
At 1 April 2019	91
Charge for the year	37
At 31 March 2020	<u>128</u>
Net book value	
At 31 March 2020	<u>129</u>
At 31 March 2019	<u>166</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Intangible Assets consists of costs relating to the development of a Housing and Finance system which was implemented during 2016/17.

11 Properties for sale

	2020	2019
	£'000	£'000
Shared-ownership properties:		
Under construction	3,195	1,029
Completed properties	918	1,095
Social Housing Properties	-	243
Commercial Properties	658	166
	<u>4,771</u>	<u>2,533</u>

12 Debtors

	2020	2019
	£'000	£'000
Rent and service charges receivable	1,078	828
Less: provision for bad and doubtful debts	(790)	(518)
	<u>288</u>	<u>310</u>
Social housing grant receivable	283	1,368
Other debtors	648	382
Owed by the subsidiary	-	-
Prepayments and accrued income	3,007	3,633
Other taxation and social security	-	13
	<u>4,226</u>	<u>5,706</u>

Included in the association's prepayments and accrued income is an amount of £523,000 (2019: £586,000) due after more than one year.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Creditors: amounts falling due within one year

	2020	Restated
	£'000	2019
		£'000
Debt (Note 15)	3,471	3,344
Trade creditors	2,333	1,647
Rent and service charges received in advance	443	258
	-	-
Recycled capital grant fund (Note 17)	892	497
Deferred grant income (Note 16)	1,429	1,371
Other taxation and social security	88	-
Other creditors	2,306	2,053
Accruals and Deferred Income	6,750	5,191
	<u>17,712</u>	<u>14,361</u>

14 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Debt (Note 15)	93,472	96,949
Loan stock	2	2
Recycled capital grant fund	1,036	1,274
Deferred grant income	127,121	127,224
	<u>221,631</u>	<u>225,449</u>

15 Debt Analysis

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

	2020	2019
	£'000	£'000
Within one year or on demand	3,471	3,344
One year or more but less than two years	3,546	3,471
Two years or more but less than five years	9,605	10,453
Five years or more	80,321	83,025
	<u>96,943</u>	<u>100,293</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Security

Housing loans are from private lenders and in the main secured by specific charges on the association's housing properties.

Terms of repayment and interest rate

The portfolio has a mixture of fixed and variable rate loans at interest rates ranging from 1.06% to 9.94%. Included in housing loans is £nil (2019: £ nil) drawn from a revolving facility at a variable rate of interest. This facility is for £40m and is available until 2022. All other loans are long term borrowings.

16 Deferred grant income

	2020	2019
	£'000	£'000
At 1 April	128,595	126,580
Movement in the year	1,396	3,337
Released to income in the year	(1,441)	(1,322)
TOTAL	128,550	128,595
Amounts to be released in one year	1,429	1,371
Amounts to be released in more than one year	127,121	127,224
TOTAL	128,550	128,595

17 Recycled Capital Grant Fund

	2020	2019
	£'000	£'000
At 1 April	1,771	2,285
Grants recycled	87	-
Interest Accrued	12	3
Staircasing	641	385
Utilised during the year	(500)	(876)
Repayment of grant	(83)	(26)
	1,928	1,771

Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Share capital

	2020	2019
	£	£
Shares of £1 fully paid and issued	16	19
Shares issued during year	4	5
Shares cancelled	(6)	(2)
	<u>14</u>	<u>22</u>

Shares have limited rights and carry no entitlement to dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the association's General meeting.

19 Capital commitments

	2020	2019
	£'000	£'000
At 1 April		
Expenditure contracted for but not provided in the accounts	29,178	15,897
Expenditure authorised by directors, but not contracted	<u>5,266</u>	<u>54,470</u>

Of the above contracted but not provided for, £5.6 million (2019: 4.5 million) is to be financed by SHG, £14.1 million (2019: 10.9 million) from shared ownership sales, and the remaining £9.5 million (2019: 0.5 million) is to be financed by existing cash resources and borrowings.

The expenditure of £5.3 million which has been authorised by the Board will be funded by grant of £2.9 million (2019: £8.0 million) , £0.9 million (2019: £12.1 million) from commercial sales, and the remaining £1.5 million (2019: 31.4 million) from other income and loan finance.

The above capital expenditure is expected to be incurred over the next five years.

20 Surplus on sale of fixed assets – housing properties

	2020	2019
	£'000	£'000
Sales proceeds	5,755	3,031
Carrying value of fixed assets	(2,369)	(1,153)
	<u>3,386</u>	<u>1,878</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2020	2019
	No	No
Social Housing		
General housing:		
- social rent	1,588	1,594
- affordable rent	251	195
Supported housing	104	110
Intermediate rent	2	2
Shared ownership	367	359
Total owned	<u>2,312</u>	<u>2,260</u>
Accommodation managed for others	19	19
Total managed	<u>2,331</u>	<u>2,279</u>
Non-social housing		
Private renting	<u>18</u>	<u>18</u>
Total owned and managed	<u>2,349</u>	<u>2,297</u>
Accommodation in development at the year end	<u>165</u>	<u>142</u>

The Association owns 37 units (2019: 41 units) which are managed on its behalf, under management agreements by other bodies.

The Association manages accommodation for London and Quadrant, a registered social landlord operating across London and the South East.

22 Related party disclosure

ISHA has one Resident Board Member. The rent and her tenancy is on normal commercial terms. Details of the charges for her tenancy and the rent arrears at the 31 March 2020 were as follow:

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rent and Service Charge	Arrears 31 March 2020
	£	£
Alice Powell	7,444	-

23 Pensions

The company participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities of the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within other creditors in the association's financial statements.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. The most recent formal actuarial valuation was completed as at 30 September 2019 and rolled forward, allowing for the different financial assumptions under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2020 is £1,174k (2019: £3,072k)

Present Value of defined benefit obligation, fair value of assets and defined Benefit asset/(liability)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2020	2019
	£'000	£'000
Fair value of plan assets	9,514	8,824
Present value of defined benefit obligation	<u>(10,688)</u>	<u>(11,896)</u>
(Deficit) in plan	<u>(1,174)</u>	<u>(3,072)</u>
Net defined benefit asset (liability) to be recognised	<u>(1,174)</u>	<u>(3,072)</u>

Reconciliation of opening and closing balances of the defined benefit obligations

	2020
	£'000
Defined benefit obligation at start of period	11,896
Current service cost	242
Expenses	9
Interest expense	275
Member contributions	-
Actuarial losses (gains) due to scheme experience	19
Actuarial losses (gains) due to changes in demographic assumptions	(106)
Actuarial losses (gains) due to changes in financial assumptions	(1,392)
Benefits paid and expenses	(255)
Defined benefit obligation at end of period	<u>10,688</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2020
	£'000
Fair value of plan assets at start of period	8,824
Interest income	207
Experience on plan assets (excluding amounts included in interest income)	264
- gain (loss)	
Contributions by employer	474
Benefits paid and expenses	(255)
Fair value of plan assets at the end of period	9,514

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £471,000.

Defined benefit costs recognised in statement of comprehensive income (SOCl)

	2020
	£'000
Current service cost	242
Expenses	9
Net interest expense	68
Fair value of plan assets at the end of period	319

Defined benefit costs recognised in other statement of comprehensive income

	2020
	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	264
Experience gains and losses arising on the plan liabilities - gain (loss)	(19)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	106
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,392
Total amount recognised in Other Comprehensive Income - gain	1,743

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Assets

	2020	2019
	£'000	£'000
Global Equity	1,391	1,485
Absolute Return	496	763
Distressed Opportunities	183	160
Credit Relative Value	261	162
Alternative Risk Premia	665	509
Fund of Hedge Funds	6	40
Emerging Markets Debt	288	304
Risk Sharing	321	266
Insurance-Linked Securities	292	253
Property	210	199
Infrastructure	708	463
Private Debt	192	118
Opportunistic Illiquid Credit	230	-
Corporate Bond Fund	542	412
Liquid Credit	4	-
Long Lease Property	165	130
Secured Income	361	316
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	3,158	3,227
Net Current Assets	41	17
	<hr/>	<hr/>
Total assets	9,514	8,824
	<hr/> <hr/>	<hr/> <hr/>

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

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Key assumptions

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.38%	2.31%
Inflation (RPI)	2.62%	3.29%
Inflation (CPI)	1.62%	2.29%
Salary Growth	2.62%	3.29%
Allowance for commutation of pension for cash at retirement	75%*	75%*

* of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

24 Provisions for liabilities – other provisions

	2020	2019
	£'000	£'000
At 1 April 2019	2,382	2,515
Additions	51	1,282
Released	-	(1,415)
At 31 March 2020	<u>2,433</u>	<u>2,382</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

The balance at 1 April 2019 represents the repairs provision relating to remedial works for three buildings following fire safety inspections as required by the Government following the Grenfell fire. The addition (£51K) relates to a potential liability that could materialise at the end of a Managing agent contract.

25 Financial assets and liabilities

Categories of financial assets and financial liabilities

	2020	2019
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost		
Other debtors	4,226	5,693
Financial liabilities measured at amortised cost		
Loans (Note15)	96,943	100,293
Trade and other creditors	146,007	144,957
	242,950	245,250

Financial liabilities include all creditors and loan amounts payable.

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed on term deposits and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2020	2019
	£'000	£'000
Floating rate on money market deposits	11,366	17,518
Financial assets on which no interest is paid	3,522	2,571
	14,888	20,089

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the association's financial liabilities at 31 March was:

	2020	2019
	£'000	£'000
Fixed rate	81,256	83,782
Floating rate	15,372	16,511
	<u>96,628</u>	<u>100,293</u>

The floating rate financial liabilities comprise bank loans that bear interest based on LIBOR and RPI. The fixed rate financial liabilities have a weighted average interest rate of 4.1% (2019: 4.3%) and the weighted average period for which it is fixed is 20 years (2019: 20 years).

The debt maturity profile is shown in note 15.

Borrowing facilities

The Association has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent has been met were as follows:

	2020	2019
	£'000	£'000
Expiring in more than two years	<u>41,000</u>	<u>41,000</u>

26 Leasing Commitments

The total future minimum lease payments of leases are as set out below. Leases relate to photocopiers. The Association's future minimum operating lease payments are as follows:

	2020	2019
	£'000	£'000
Within one year	5	5
Between two and five years	9	15
	<u>14</u>	<u>20</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 Net debt analysis

	At 1 April 2019	Cash flows	Other non- cash changes	At 31 March 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	20,280	(5,279)	-	15,001
Overdrafts	(191)	78	-	(113)
Cash equivalents				
Total cash and cash equivalents	<u>20,089</u>	<u>(5,201)</u>	<u>-</u>	<u>14,888</u>
Borrowings				
Debt due within one year	(3,344)	(127)	-	(3,471)
Debt due after one year	(96,949)	3,477	-	(93,472)
Total borrowings	<u>(100,293)</u>	<u>3,350</u>	<u>-</u>	<u>(96,943)</u>
Total net debt	<u>(80,204)</u>	<u>(1,851)</u>	<u>-</u>	<u>(82,055)</u>

28 Prior period adjustment

The Association has outsourced the bulk of its repair service to Mears Group PLC for the last three financial years. This service is due to end in October 2020.

During the financial year, Mears Group PLC submitted late invoices totalling £0.870m that related to prior financial years. (£0.224m related to the year ended 31 March 2018 and £0.646m related to the year ended 31 March 2019). These invoices were paid during the year ended 31 March 2020 but had not been accrued in previous financial statements.

An additional £0.134m of invoices were received and paid after the year end that related to the year ended 31 March 2019. These invoices were also not accrued in previous financial statements as the billing was late.

The figures for the year ended 31 March 2019 have now been adjusted to incorporate the repairs expenditure in the late invoices received. The impact of the prior year adjustments on the statement of comprehensive income is as shown below:

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

**Restated Statement of Comprehensive Income for the years ended
31 March 2019**

	Restated 2019	Adjustment	2019
	£'000	£'000	£'000
Turnover	23,130	-	23,130
Operating costs	(17,019)	(780)	(16,239)
Surplus on sale of properties and land	1,878	-	1,878
Donation	2,689	-	2,689
Operating surplus	10,678	(780)	11,458
Interest receivable	48	-	48
Interest and financing costs	(3,409)	-	(3,409)
Movement in fair value of investment properties	(222)	-	(222)
Surplus for the year	7,095	(780)	7,875
Initial recognition of multi-employer defined benefit scheme	(1,115)	-	(1,115)
Actuarial losses in respect of pension scheme	(542)	-	(542)
Total comprehensive income for the year	5,438	(780)	6,218

Income and Expenditure Reserves

	Restated 2019
	£'000
Year ended 31 March 2019	
Balance as at 31 March 2018	76,055
Total comprehensive income for the year	7,875
Other comprehensive income for the year	(542)
De-recognition of Lien Viet reserves	(2,857)
Prior year adjustment	(780)
Balance as at 31 March 2019	79,751

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Restated Statement of Comprehensive Income for the years ended 31 March 2018

	Restated 2018	Adjustment	2018
	£'000	£'000	£'000
Turnover	21,959	-	21,959
Operating costs	(15,440)	(224)	(15,216)
Surplus on sale of properties and land	2,715	-	2,715
Donation	-	-	-
Operating surplus	9,234	(224)	9,458
Interest receivable	30	-	30
Interest and financing costs	(3,751)	-	(3,751)
Movement in fair value of investment properties	1,607	-	1,607
Surplus for the year	7,120	(224)	7,344
Total comprehensive income for the year	7,120	(224)	7,344

Income and Expenditure Reserves

	Restated 2018
	£'000
Year ended 31 March 2018	
Balance as at 31 March 2017	70,050
Total comprehensive income for the year	7,344
Balance as at 31 March 2018	77,394
Pension adjustment to opening reserves	(1,115)
Prior year adjustment	(224)
Balance as at 31 March 2018	76,055

29 Contingent liability

During April 2020 to June 2020, Mears Group PLC submitted £3.763m of additional invoices (inclusive of VAT). A detailed review of these invoices was undertaken by quantum experts that were appointed by the association's solicitors. The result of this review was that £0.450m (inclusive of VAT) was payable for works that could be evidenced as completed by 31 March 2020. The sum of £0.450m has been accrued

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

in full for the year ended 31 March 2020 and has subsequently been paid over to Mears Group PLC post year end. (£0.134m of the amount paid related to the year ended 31 March 2019 and had not been accrued in previous financial statements.)

Prior year figures have been adjusted to take into account the late invoicing detailed above.

An independent adjudication process will review Mears Group PLC's claim for the balance of £3.313m (inclusive of VAT) which is a contingent liability.

30 Transfer of engagement

On 31 March 2019 Lien Viet Housing Association Limited was fully merged into ISHA through a transfer of engagement.

31 Transition to Housing SORP 2018

There has been no effect on the 31 March 2019 financial statements following the transition to Housing SORP 2018 from Housing SORP 2014.