

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

REGULATOR OF SOCIAL HOUSING
REGISTRATION NUMBER L1243

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014
REGISTRATION NUMBER 19080R

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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PENGE CHURCHES HOUSING ASSOCIATION LIMITED

OFFICERS AND ADVISORS

FOR YEAR ENDED 31 MARCH 2019

Members of the Board

The Board Members who served from 1 April 2018 up to the date of approval of these financial statements were as follows:

Tracey Downie (Chair)	Mark Ryan
Mark Phillippo (Vice Chair)	Karen Cooper
David Hynes (resigned 14 th May 2019)	Trevor Crook
Rowann Limond (appointed 6 th August 2018)	Adeola Oke
Nicola Dykes (appointed 6 th September 2018)	Dennis Simmonds
Jonathan Bowen (appointed 6 th September 2018)	

(Each of the Board members listed above holds a one pound share in the association except Karen Cooper who is the Chief Executive.)

Management Team

Karen Cooper BA (Hons)	Chief Executive & Company Secretary
Darren Eade ACMA	Head of Finance and Corporate Services (appointed 15 th Oct 2018)
Jennifer Duberry BA, DMS	Tenancy Services Manager
Mark Knight	Maintenance and Contracts Manager

Advisers

External Auditors

Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

Internal Auditors

TIAA Ltd
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road, Gosport
Hants PO13 OFQ

Solicitors

Marsons Solicitors LLP
7 Leonard House
Newman Road
Bromley
Kent BR1 1RJ

Bankers

CAF Bank Ltd
25 Kings Hill Avenue
West Malling
Kent
ME19 4JQ

Insurance Brokers

Access Insurance
Selsdon House
212-220 Addington Road
South Croydon
Surrey CR2 8LD

Funders

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

Unity Trust Bank Plc
Nine Brindley Place
Birmingham
B1 2HB

The Regulator of Social Housing
Fry Building
2 Marsham Street
London
SW1P 4DF

Registered office: 99 Maple Road
Penge
London SE20 8LN

Registration: Registered Society registration number: 19080R
Regulator for Social Housing registered number: L1243
Member of the National Housing Federation

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2019

The Board present their annual report and audited financial statements of Penge Churches Housing Association Limited (PCHA) for the year ended 31 March 2019.

The financial statements comply with current statutory requirements, the association's rules and the Statement of Recommended Practice: Accounting by registered social housing providers Update 2014 (SORP 2014).

Principal activity

The association is a charitable registered provider of social rented housing. The principal activity of the association throughout the year was that of providing affordable rented accommodation to people in housing need locally. The association owns and manages 270 homes.

Our Vision

We are a community based housing association that is passionate about enhancing the lives of our residents by providing excellent homes and services. We are proud of our strong community roots and strive to be a positive impact in all that we do.

Our Values

Acting with Integrity

- We communicate in an open, honest and transparent way
- We do what we say we will and keep our promises
- We are accountable for our decisions and take responsibility for our mistakes

Being Ambitious

- We are ambitious for the future of PCHA, seeking to deliver a broader range of services to more people in our community
- We are prepared to take appropriate risks to drive improvement and growth
- We are creative, forward thinking and open to new ideas
- We embrace change and respond positively to new opportunities

Striving for Excellence

- We provide homes and communities we can all be proud of
- We are people focussed and aim to tailor our approach to the needs of individuals
- We strive to be proactive, solution orientated and go the extra mile
- We work collaboratively and build positive partnerships
- We continually challenge ourselves to improve our performance
- We seek to make sound business decisions and be well governed and managed

Behaving with Respect

- We behave in a fair-minded and non-judgemental way
- We value the individuality and diversity of our residents and communities
- We are inclusive in the way we work.

Strategic Objectives

Our Services

- ❖ **To provide homes and services we can be proud of**
 - To develop a broader range of homes and services to meet the needs of the people in our community
 - To provide excellent customer services and best value for residents
 - To proactively seek, and respond to, residents' feedback and complaints
 - To deliver an excellent and proactive repairs and maintenance service
 - To treat tenants as individuals and work positively with them to sustain their tenancies where necessary

Our Business

- ❖ **To be a modern, strong and forward-thinking business**
- ❖ **To grow the business and develop new homes and services**
 - To be financially strong and ensure we have the resources to deliver our vision
 - To safeguard, and make the best use of, our assets and resources
 - To respond positively to change and adapt effectively to changing markets and needs
 - To ensure our business reflects modern ways of thinking and working
 - To make sound business decisions, taking appropriate risks to grow the business

Our People

- ❖ **To value and invest in our people and partnerships, creating a culture of collaboration and shared accountability**
 - To develop the staff and board team to ensure the business is well governed and managed
 - To be a good employer that supports, engages and manages staff, with clear expectations on both sides
 - To have a clear performance framework that supports excellence and drives performance
 - To work collaboratively and develop effective partnerships to help us further our objectives.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2019

Financial review

The association has had a successful year financially with a surplus for the year of £250,826 (£358,056 in 2018). The position at the end of the year is shown in the Statement of Comprehensive Income on page 11.

The association has set financial targets with regard to the level of reserves that are maintained. The association comfortably exceeds all of these recommended targets. The association invests its reserves in order to obtain maximum interest as part of its treasury management policy.

The revenue reserves of the association stood at £4,012,421 at the year end. The movement in reserves can be seen in note 15 to the financial statements.

Achieving our objectives

The association has a number of key strategies and policies in place to support its objectives:

- (a) the development strategy is to develop new affordable housing for people in the local community as and when opportunities arise, provided the schemes are financially viable. The Board reviewed our development capacity and aspires to increase our stock portfolio by 1-2% per annum for the next 5 years and will be seeking additional borrowings to achieve this;
- (b) the rent policy has been reviewed during the year in light of the Government's direction that social rents should be reduced by 1% until 2020. The Board is committed to maintaining rents at affordable levels, but also aim to ensure that service charges cover all applicable costs and as such services charges have been reviewed over the year;
- (c) the asset management strategy which is to maintain its housing properties in a good state of repair and carry out improvements to elements such as kitchens and bathrooms on a rolling programme. During the year the Association has invested in major repairs to ensure sustainability of some of our older properties and to provide a good quality home for tenants living in those properties;
- (d) customer service standards and housing management policies which aim to provide an economical, efficient and effective service to its tenants, whilst maintaining high levels of tenant satisfaction and low levels of rent arrears;
- (e) the value for money strategy which is to produce as much value as possible from the money and resources we have available, taking into account the social, environment and financial value generated by our services and other activities;
- (f) the equality and diversity policy commits the association to promoting equality of opportunity, tackling discrimination, and valuing diversity in all aspects of its work.

Employees

The association values its staff as its most important asset and, where appropriate, the involvement of employees in the affairs of the association is a high priority. The chief executive and senior staff members attend Board and/or committee meetings as appropriate and during the year they attended the Board Awayday to discuss the future direction of the Association. Employees are kept informed about the policies and performance of the association through regular team meetings. Staff training and development is a priority and staff attend courses and conferences run by a number of organisations.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2019

Pension creditor

The Association provides and contributes to pensions for all staff through TPT Retirement Solution's Social Housing Pension Scheme. Further details are in note 17 to the financial statements.

Health, safety and welfare of tenants and employees

The Board recognises the importance of effective health, safety and welfare provision for its tenants and employees at work. Appropriate policies are in place for the protection and welfare of the tenants and employees of the association.

Corporate governance and internal controls

The Board is responsible for the association's system of internal control. The system is designed to provide reasonable assurance against material misstatements or loss, but it cannot provide absolute assurance or eliminate all risk of failure to achieve business objectives. The Board has reviewed the effectiveness of the system of internal control during the year.

The Board has established procedures which are designed to provide effective internal control. These include delegated authorities, financial regulations, treasury management, risk management, approvals of any investment projects, health and safety, data protection and fraud prevention. The Board has agreed terms of reference for its Finance & Audit Committee which meets regularly to monitor the actual results of the association against budgets and the business plan. The Committee has set up internal audit procedures and regularly reviews the results of internal audit reviews. They also carry out a review of the association's finance procedures on a regular basis.

The Board and management have established processes to carry out a regular identification, evaluation and control of the significant risks facing the organisation and the Chief Executive is responsible for alerting the Board to any new or changing risks.

Compliance with NHF Code of Governance (2015) and the Regulator of Social Housing's Governance & Financial Viability Standard

The association is committed to compliance with the revised NHF Code of Governance and the Regulator of Social Housing's Governance & Financial Viability Standard. In particular, the following controls and activities are in place:

- a Board succession plan, in order to achieve compliance with the guidance on length of service for members of the Board. This led to the recruitment of three new Board members during the year and in 2019 will see the appointment of a new Chair and Vice-Chair.
- an updated Board appraisal framework and skills audit, which includes a commitment to an annual appraisal of the effectiveness of the Board. This process was supported by an external consultant and a governance review was undertaken, leading to a governance action plan being implemented.
- a robust financial business plan which is regularly reviewed by the Board with appropriate stress testing and reporting on funders covenants.
- an up to date and comprehensive asset and liability register, to be further enhanced following a major asset management review project to be carried out in 2019.

The association is committed to accountability and endorses the principle of openness and accountability to tenants and stakeholders in all areas of its activity. We have a range of involvement opportunities on offer to our tenants throughout the year and all tenants receive a copy of our annual report and are invited to attend a number of events to enable them to scrutinise our performance.

Value for money (VFM)

It is important that we can be held to account for the VFM of our services by all our key stakeholders, including tenants, the local authority and other partners in the community, our regulator and funders.

Our definition of VFM is the production of as much value as possible from the income and assets we have available. This includes several types of value: financial, social and environmental. PCHA aims to provide value for a number of stakeholders: tenants, the local authority, the local community, the regulator and funders. Through involving tenants in the association, and continually seeking their feedback, we are able to identify their priorities and shape our services to meet these.

Our VFM strategy helps us to:

- Ensure that the Board is driving VFM in all aspects of running the association and delivering services
- Give impetus to VFM in achieving our business objectives
- Deliver VFM in a consistent and effective way
- Explain our approach to VFM to our people and stakeholders.

The association incorporates an assessment of value for money into its decision making processes. In doing so the financial, social, and environmental value are taken into consideration. Our financial business plan is a tool for delivering value from our resources and this is reviewed at least annually by the Board.

Governance and scrutiny in achieving value for money

To ensure that VFM remains at the heart of all that we do, PCHA's Board has a number of governance arrangements in place:

- The Finance & Audit Committee terms of reference include a responsibility to consider the association's Value for Money (VFM) performance and to recommend to the Board an annual self-assessment on VFM
- A balanced scorecard containing key financial and management performance indicators is reported to each of our Committee and Board meetings
- The Board approves an annual budget and the Finance & Audit Committee carries out regular monitoring of quarterly management accounts to assess performance against that budget
- The Board receives annual benchmarking data comparing our performance and costs with those of peer organisations in the Acuity BM320 benchmarking group
- Tenant satisfaction feedback provides information, including views on value for money of services, which the Board and staff can use to drive performance improvement.

Social value

As a small community based housing association, we are committed to working in partnership and offering a range of services to our tenants which extend beyond the provision of a home and basic landlord services.

These include:

- a personalised service and access to support from other community partners, for example from Community Options who support people with mental health issues to live independently in the community and saving the much higher costs of institutional care
- a range of services to support tenants financially, for example through our welfare reform action plan, free debt advice services, support to access credit union banking services
- small grants for household goods or to support access to employment or training
- support to tenants seeking employment, for example through access to internet facilities at our offices for job seeking
- handyman service for more vulnerable tenants.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2019

Investing in assets

An essential part of achieving value for money lies in the management of our assets i.e. the properties owned by the association. PCHA's Development Strategy and Asset Management Strategy set out our approach to developing new homes, and to managing and maintaining existing assets. Following the repairs service being brought back in house during the year, an extensive review of all our stock is being undertaken and will result in a comprehensive appraisal model that will support us to develop a meaningful asset management strategy which will also cover a range of property, procurement and health and safety matters. When we improve or develop properties we take into account environmental and sustainability issues, aiming to minimise the energy costs for tenants and reduce environmental impact.

Good value services

PCHA has a set of Customer Service Standards, agreed with tenants, which set out what they can expect by way of housing management services. Our aim is to meet tenant expectations by providing quality services whilst managing budgets carefully. We operate in the Penge area and currently only work with one local authority; all our properties are in close proximity to our office. This enables our housing management service to be both efficient and accessible to our tenants.

When service contracts are reviewed or new services commissioned, we always follow financial procedures and seek to make savings where possible. We aim to use local contractors and suppliers, keeping economic benefit in the local community, so long as standards of work and costs represent good value for money.

VFM Metrics

PCHA has benchmarked its performance against its own figures for the previous two financial years as well as the median figures from its own peer group, consisting of a number of other small housing associations deemed similar in size and location and part of the Acuity SPBM Benchmarking Group. The results can be summarised as follows:-

	PCHA	PCHA	PCHA	Peer group median
	2018-19	2017-18	2016-17	2017-18
1 Reinvestment	0.91%	7.27%	1.00%	5.82%
2a New supply delivered (social housing units)	0.00%	2.25%	0.00%	1.00%
2b New supply delivered (non-social housing units)	0.00%	0.00%	0.00%	0.00%
3 Gearing	23.70%	24.27%	21.91%	43.72%
4 EBITDA MRI interest cover	279%	348%	418%	203%
5 Headline social housing cost per unit	£4,456	£4,258	£4,011	£3,362
5a Management cost per unit	£1,571	£1,103	£1,143	£1,047
5b Service charge cost per unit	£394	£314	£275	£603
5c Maintenance cost per unit	£1,752	£1,908	£1,528	£1,061
5d Major repairs cost per unit	£242	£413	£525	£817
5e Other social housing costs per unit	£0	£0	£0	£136
6a Operating margin (social housing lettings)	23.82%	28.63%	34.51%	32.46%
6b Operating margin (overall)	23.39%	28.39%	34.78%	29.65%
7 Return on capital employed	2.71%	3.36%	4.21%	4.15%

The figure for reinvestment (1) has fallen back to around 1% similar to 2016-17, following a significant increase to major works and cyclical works in 2017-18. New supply delivered (2a) is 0% as no new properties were built in 2018-19. It was 2.25% in 2017-18 due to the building of six new units at Scotts Road, Bromley.

Public Benefit Entity

As a public benefit entity, Penge Churches Housing Association Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2019

Statement of the Board's Responsibilities in respect of the Financial Statements

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

The Co-operative and Community Benefit Societies Act 2014 and registered social 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 which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. 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.

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Appointment of Auditors

Beever and Struthers to be reappointed as auditors for the coming year.

Signed by order of the Board

K Cooper
Secretary

Date: 5 September 2019

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements Penge Churches Housing Association Limited for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows and the Statement of Changes in Reserves and 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 2019 and of its surplus 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 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the 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 have 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 Report of the Board, 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.

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.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
PENGE CHURCHES HOUSING ASSOCIATION LIMITED

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 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 proper accounting records; or
- the financial statements are not in agreement with the 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 Responsibilities of the Board set out on page 8, the Board are 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with section 87(2) 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
Chartered Accountants
Statutory Auditor

15 Bunhill Row
London
EC1Y 8LP

Date:

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	2	1,735,936	1,778,967
Operating expenditure	2	(1,329,719)	(1,273,508)
Operating surplus/ (deficit)	2	<u>406,217</u>	<u>505,459</u>
Interest receivable	5	1,105	466
Interest and financing costs	6	(156,496)	(147,869)
Surplus for the year	7	<u>250,826</u>	<u>358,056</u>
<i>Other Comprehensive Income</i>			
Initial recognition of multi-employer defined benefit pension scheme	17	(64,172)	-
Actuarial losses in respect of pension schemes	17	(84,000)	-
Total comprehensive income for the year		<u>102,654</u>	<u>358,056</u>

The financial statements on pages 11 to 34 were approved and authorised for issue by the Board on 5 September 2019 and were signed on their behalf by:

Tracey Downie
Chair

Mark Phillippo
Board Member

Karen Cooper
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 15 to 34 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible fixed assets: Housing Properties	10	14,646,484	14,758,436
Tangible fixed assets: Other fixed assets	11	182,505	137,201
		<u>14,828,989</u>	<u>14,895,637</u>
Current assets			
Trade and other debtors	12	40,275	64,732
Cash and cash equivalents		608,431	680,947
		<u>648,706</u>	<u>745,679</u>
Less: Creditors			
Amount falling due within one year	13	(506,197)	(614,986)
Net current assets/ (liabilities)		<u>142,509</u>	<u>130,693</u>
Total assets less current liabilities		<u>14,971,498</u>	<u>15,026,330</u>
Creditors			
Amount falling due after more than one year	14	(10,564,049)	(11,116,535)
Provisions for liabilities			
Pension – defined benefit liability	17	(395,000)	-
Total net assets		<u>4,012,449</u>	<u>3,909,795</u>
Capital and reserves			
Revenue reserves	15	4,012,421	3,909,767
Called-up share capital	16	28	28
Total Reserves		<u>4,012,449</u>	<u>3,909,795</u>

The financial statements on pages 11 to 34 were approved and authorised for issue by the Board on 5 September 2019 and were signed on their behalf by:

Tracey Downie
Chair

Mark Phillippo
Board Member

Karen Cooper
Secretary

The notes on pages 15 to 34 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Net cash generated from operating activities (see Note i)	429,052	687,350
Cash flow from investing activities		
Purchase of tangible fixed assets	(169,940)	(1,076,936)
New finance raised	-	800,000
Interest received	1,105	466
	<u>(168,835)</u>	<u>(276,470)</u>
Cash flow from financing activities		
Interest paid	(149,496)	(147,869)
Repayment of borrowings	(183,237)	(287,192)
Issue/(cancellation) of ordinary shares	-	1
	<u>(332,733)</u>	<u>(435,060)</u>
Net change in cash and cash equivalents	(72,516)	(24,180)
Cash and cash equivalent at beginning of the year	680,947	705,127
Cash and cash equivalent at end of the year	608,431	680,947
Note i	£	£
Cash flow from operating activities		
Surplus/(deficit) for the year	250,826	358,056
Adjustments for non-cash items		
Depreciation of tangible fixed assets	236,588	213,749
(Increase)/decrease in trade and other debtors	24,458	(25,880)
Increase/(decrease) in trade and other creditors	(142,430)	86,803
Movement in respect of pension schemes	4,000	-
Adjustments for investing or financing activities:		
Government grants utilised in the year	(92,781)	(92,781)
Interest Payable	149,496	147,869
Interest received	<u>(1,105)</u>	<u>(466)</u>
Net cash generated from operating activities	429,052	687,350

The notes on pages 15 to 34 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2019

	Total Reserves
	£
Balance as at 1 April 2017	3,551,711
Total Comprehensive Income for the year	358,056
	<hr/>
Balance at 31 March 2018	3,909,767
Total Comprehensive Income for the year	102,654
	<hr/>
Balance at 31 March 2019	4,012,421
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The notes on pages 15 to 34 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES

(a) Legal Status

Penge Churches Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 registration number 19080R and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing registration number L1243. The registered office is 99 Raple road, Penge, SE20 8LN.

(b) Basis of accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommending Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS 102. The Association transitioned from previous UK GAAP to FRS 102 as at 1 April 2014.

The Association's financial statements have been prepared in compliance with FRS 102 as it applied for the first time to the financial statements of the Association for the year ending 31 March 2016.

As a public benefit entity, Penge Churches Housing Association Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The accounting relating to the Social Housing Pension Fund has not been consistently applied. The accounting policy is set out on page 17. The financial statements have applied Financial Reporting Exposure Draft 71 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.'

(c) Turnover

Turnover represents rental income receivable (net of void losses), service charges levied, management fees receivable and revenue grants from the Greater London Authority and Homes England.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (*continued*)

(d) Fixed assets and depreciation

Housing properties

Housing properties are stated at cost less depreciation. Freehold land is not depreciated. Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated over the estimated useful life of the component at the following rates:

Structure	100 yrs
Kitchen	25 yrs
Windows	30 yrs
Bathrooms	30 yrs
Boilers	10 yrs
Heating system (excl Boiler)	40 yrs
Doors	20 yrs
Roofs	70 yrs
Electrical systems	50 yrs

Other fixed assets

Other fixed assets are stated at cost. Depreciation is charged on the other fixed assets as follows:

Freehold office	- Over 100 years
Fixtures and fittings	- Over 4 years
Schemes and office equipment	- Over 4 years
Motor Vehicles	- Over 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(e) Social Housing Grant

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

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

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes England and the Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (*continued*)

(f) **Capitalisation of interest and development costs**

Interest on the mortgage loan financing a development is capitalised up to the date of practical completion of the scheme. Interest on other borrowings specifically financing the development programme (or scheme) after deduction of interest on social housing grant in advance is also capitalised.

All costs incurred in the delivery of the association's development programme are also capitalised.

(g) **Pension costs**

The association makes payments to a pension scheme providing benefits based on final pensionable pay. The expected cost of pensions is charged to the Statement of Comprehensive Income so as to spread the cost over the service lives of the employees.

(h) **Retirement Benefits**

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRED71 ('Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in other comprehensive income. Further disclosures in this area are included in note 17.

(i) **Cyclical repairs and maintenance**

The association maintains its properties in accordance with a planned programme of works. No provision is made in the financial statements for future works but actual costs incurred are charged in the Statement of Comprehensive Income under the heading of planned maintenance.

(j) **Tax status**

By virtue of S.478 Corporation Tax Act 2010, the Association is exempt from corporation tax.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

2. ACCOUNTING POLICIES *(continued)*

(k) Value Added Tax (VAT)

The Association is not VAT registered. The balances shown in these financial statements are inclusive of VAT where applicable.

(l) Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Government's announcements in July 2015 impacting on the future income of the Association led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

(m) Financial Instruments

Financial instruments such as loans, accounts payables, accounts receivables and cash are classified either as basic or complex. All financial instruments are initially measured at their fair values at the time the transactions occur. Subsequently all basic instruments are measured at amortised cost and all complex financial instruments are measured at a fair value through the comprehensive income.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash are held at cost;
- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.

(n) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

(o) Cash equivalents

Cash equivalents include readily convertible short-term highly liquid investments less advances from banks repayable within three months from the date of the advance.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (*continued*)

(p) **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- a. Categorisation of housing properties. The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.
- b. Impairment. The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.
- c. Pension and other post-employment benefits: The cost of defined benefit pension plans and other post employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 17.

(q) **Other key sources of estimation and assumptions**

- a. Tangible fixed assets. Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	← Turnover £	2019 Operating Costs £	→ Operating Surplus £
Social housing lettings (note 3)	1,730,296	(1,318,379)	411,917
OTHER	5,640	(11,340)	(5,700)
TOTAL	1,735,936	(1,329,719)	406,217

	← Turnover £	2018 Operating Costs £	→ Operating Surplus £
Social housing lettings (note 3)	1,771,296	(1,264,433)	506,863
OTHER	7,671	(9,075)	(1,404)
TOTAL	1,778,967	(1,273,508)	505,459

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. TURNOVER AND OPERATING EXPENDITURE

	General Needs Housing £	Stafford House: Supported Housing £	Intermediate rent lettings £	Total 2019 £	Total 2018 £
Income					
Rent receivable net of identifiable service charges	1,476,817	34,140	47,062	1,558,019	1,595,960
Service charge income	79,496	-	-	79,496	82,555
Amortised government grants	92,781	-	-	92,781	92,781
Turnover from Social Housing Lettings	1,649,094	34,140	47,062	1,730,296	1,771,296
Operating expenditure					
Management	401,090	11,631	11,340	424,061	298,705
Service charge costs	105,691	852	-	106,543	85,229
Routine maintenance	284,521	14,209	6,727	305,457	289,961
Planned maintenance	146,422	13,143	8,151	167,716	227,029
Major repairs expenditure	65,422	-	-	65,422	135,555
Rent losses from bad debts	3,124	-	-	3,124	16,721
Housing property depreciation	224,117	-	21,939	246,056	211,233
Operating expenditure on Social Housing Lettings	1,230,387	39,835	48,157	1,318,379	1,264,433
Operating Surplus / (Deficit) on Social Housing Lettings	418,707	(5,695)	(1,095)	411,917	506,863
Void losses	9,424	-	-	9,424	5,064

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

4. ACCOMODATION OWNED, MANAGED AND IN DEVELOPMENT

	2019	2018
	No	No
Social Housing		
Owned and managed at end of year:		
General needs housing	253	254
Supported housing and housing for older people	13	13
Intermediate rent	4	4
	<u>270</u>	<u>271</u>

5. INTEREST RECEIVABLE

	2019	2018
	£	£
Bank interest receivable	1,105	466
	<u>1,105</u>	<u>466</u>

6. INTEREST AND FINANCE COSTS

	2019	2018
	£	£
Deferred benefit pension charge	7,000	4,000
Interest payable on housing loans repayable wholly or partly in more than 5 years	149,496	143,869
Less: interest capitalised	-	-
	<u>156,496</u>	<u>147,869</u>

7. SURPLUS ON ORDINARY ACTIVITIES

Surplus on ordinary activities is stated after charging

	2019	2018
	£	£
Depreciation:		
Tangible owned fixed assets	236,587	213,747
Auditors remuneration (excluding VAT):		
In their capacity as auditors	8,729	7,900
In respect of other services	<u>450</u>	<u>-</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

8. DIRECTORS' EMOLUMENTS

	2019 £	2018 £
The aggregate emoluments payable to or receivable by the directors (board and director/chief executive)	82,415	60,837
Emoluments paid to the highest paid director of the Association excluding pension contributions:	<u>77,917</u>	<u>57,347</u>

The Chief Executive was an ordinary member of the Social Housing Pension Scheme and the employer's contribution for the financial year was £4,498 (2018: £3,490). No special terms were applied to the pension for the Chief Executive.

Directors (key management personnel) are defined as members of the Board and the Chief Executive.

The non-executive board members received no expenses or remuneration in the year (2018: £0).

9. EMPLOYEES

	2019 No	2018 No
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Number of persons employed	8.5	6.5
Full time equivalents	5.9	4.8

	2019 £	2018 £
Staff costs (for the above persons)		
Wages and salaries	250,736	209,659
Social security costs	23,458	18,344
Other pension costs	42,971	14,354
	<u>317,165</u>	<u>242,357</u>

	No.	No.
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:		
£60,000 - £70,000	-	1
£80,001 - £90,000	1	-

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Total Social Housing Properties for Lettings Completed
	£
Cost	
At 1 April 2018	17,963,267
New properties	-
Works to existing properties	134,105
Disposals	(46,958)
At 31 March 2019	<u>18,050,414</u>
Depreciation	
At 1 April 2018	3,204,831
Charge for the year	246,057
Eliminated on disposals	(46,958)
At 31 March 2019	<u>3,403,930</u>
Net Book Value	
At 31 March 2019	<u>14,646,484</u>
At 31 March 2018	<u>14,758,436</u>
	2019
	£
Housing properties comprise:	
Freehold	13,707,020
Long leaseholds	939,464
	<u>14,646,484</u>

Housing property additions during the year relate to rehabilitation work and component replacements at various properties.

Maintenance expenditure on properties is disclosed in note 3.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

11. OTHER FIXED ASSETS

	Freehold Office £	Schemes Equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 2018	146,852	1,440	103,476	6,957	258,725
Additions	31,952	6,119	9,525	6,719	54,315
Disposals	-	-	-	-	-
At 31 March 2019	<u>178,804</u>	<u>7,559</u>	<u>113,001</u>	<u>13,676</u>	<u>313,040</u>
Depreciation					
At 1 April 2018	17,050	1,440	96,077	6,957	121,524
Charge for the year	1,790	1,224	4,317	1,680	9,011
Eliminated on disposals	-	-	-	-	-
At 31 March 2019	<u>18,840</u>	<u>2,664</u>	<u>100,394</u>	<u>8,637</u>	<u>130,535</u>
Net Book Value					
At 31 March 2019	<u>159,964</u>	<u>4,895</u>	<u>12,607</u>	<u>5,039</u>	<u>182,505</u>
At 31 March 2018	<u>129,802</u>	<u>-</u>	<u>7,399</u>	<u>-</u>	<u>137,201</u>

12. TRADE AND OTHER DEBTORS

	2019 £	2018 £
Amounts falling due within one year		
Arrears of rent and service charges	75,688	75,382
Less: provision for bad debts	(41,679)	(38,555)
	<u>34,009</u>	<u>36,827</u>
Prepayments and accrued income	6,266	12,436
Other debtors	-	15,469
	<u>40,275</u>	<u>64,732</u>

Debtors are all due within one year.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

13. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Housing loans (Note 14b)	251,733	183,705
Rents and service charges paid in advance	67,103	56,865
Other taxation and social security payable	7,141	5,378
Trade creditors	39,497	147,205
Deferred Capital Grant (Note 23)	92,781	92,780
SHPS pension agreement plan (Note 17)	-	34,388
Accruals and deferred income	47,942	94,665
	<u>506,197</u>	<u>614,986</u>
	<u>506,197</u>	<u>614,986</u>

14. CREDITORS: amounts falling due after more than one year

(a)

	2019	2018
	£	£
Housing loans 14(b)	3,827,392	4,078,657
Deferred Capital Grant (Note 23)	6,736,657	6,829,438
SHPS pension agreement (Note 17)	-	208,440
	<u>10,564,049</u>	<u>11,116,535</u>
	<u>10,564,049</u>	<u>11,116,535</u>

Housing loans from Orchardbrook Limited, Unity Trust and Nationwide are secured by specific charges on the association's properties and are repayable at varying rates of interest by instalments. Using the best estimates available, the loans are repayable as follows:-

(b)

	2019	2018
	£	£
Within one year (Note 13)	251,733	183,705
	<u>251,733</u>	<u>183,705</u>
Between one and two years	260,738	241,376
Between two and five years	841,399	796,976
In five years or more	2,725,255	3,040,305
	<u>3,827,392</u>	<u>4,078,657</u>
Total loans due after one year	<u>3,827,392</u>	<u>4,078,657</u>

The Orchardbrook loan bears at interest rate of 9.9715%, the Unity Trust loan had varying rates between 2.25% - 2.50%, the Nationwide loans bear interest rates varying between 0.95% - 2.62%, with one bearing a fixed rate of 3.71%.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

15. REVENUE RESERVES

	£
At 1 April 2018	3,909,767
Surplus for the year	102,654
At 31 March 2019	<u>4,012,421</u>

16. SHARE CAPITAL

	£
Allotted issued and fully paid (non-equity shares of £1 each)	
At 1 April 2018	28
Shares issued	3
Shares cancelled	(3)
At 31 March 2019	<u>28</u>

Each member of the Board except Karen Cooper holds one share of £1 in the association. The shares issued to members do not qualify for dividend payments, are not repayable, and do not entitle the holder to anything on a winding up. All shares have equal voting rights.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

17. PENSION COSTS

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

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

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

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

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme.

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

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

Penge Churches Housing Association Limited has been notified by TPT Retirement Solutions of the estimated employer debt if the Association were to withdraw from the Social Housing Pension Scheme based on the financial position as at 30 September 2018. As at this date the Actuary has estimated that the employer debt would be £1,297,400.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

17. PENSION COSTS *(continued)*

Present Values Of Defined Benefit Obligation, Fair Value Of Assets And Defined Benefit Asset (Liability)

	31 March 2019	31 March 2018
	(£'000s)	(£'000s)
Fair value of plan assets	1,477	1,403
Present value of defined benefit obligation	1,872	1,710
Surplus (deficit) in plan	(395)	(307)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(395)	(307)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(395)	(307)

Reconciliation Of The Impact Of The Asset Ceiling

	Year Ending 31 March 2019
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

17. PENSION COSTS (*continued*)

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	Year Ending 31 March 2019 (£'000s)
Defined benefit obligation at start of period	1,710
Current service cost	28
Expenses	3
Interest expense	43
Contributions by plan participants	14
Actuarial losses (gains) due to scheme experience	19
Actuarial losses (gains) due to changes in demographic assumptions	5
Actuarial losses (gains) due to changes in financial assumptions	104
Benefits paid and expenses	(54)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,872

Reconciliation Of Opening And Closing Balances Of The Fair Value Of Plan Assets

	Year Ending 31 March 2019 (£'000s)
Fair value of plan assets at start of period	1,403
Interest income	36
Experience on plan assets (excluding amounts included in interest income)	44
- gain (loss)	
Contributions by the employer	34
Contributions by plan participants	14
Benefits paid and expenses	(54)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,477

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £80,000.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

17. PENSION COSTS (*continued*)

Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SoCI)

	Year Ending 31 March 2019 (£'000s)
	Year Ending
Current service cost	28
Expenses	3
Net interest expense	7
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	38

Defined Benefit Costs Recognised In Other Comprehensive Income

	Year Ending 31 March 2019 (£'000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	44
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)	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(104)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(84)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(84)

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

17. PENSION COSTS (*continued*)

Assets

	31 March 2019	31 March 2018
	(£'000s)	(£'000s)
Absolute Return	128	171
Alternative Risk Premia	85	53
Corporate Bond Fund	69	58
Credit Relative Value	27	-
Distressed Opportunities	27	14
Emerging Markets Debt	51	57
Fund of Hedge Funds	7	46
Global Equity	248	277
Infrastructure	77	36
Insurance-Linked Securities	42	37
Liability Driven Investment	540	511
Long Lease Property	22	-
Net Current Assets	3	1
Over 15 Year Gilts	-	-
Private Debt	20	12
Property	33	65
Risk Sharing	45	13
Secured Income	53	52
Total assets	1,477	1,403

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.

Key Assumptions

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.28%	2.54%
Inflation (RPI)	3.30%	3.20%
Inflation (CPI)	2.30%	2.20%
Salary Growth	3.30%	3.20%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

18. CAPITAL COMMITMENTS

	2019	2018
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	Nil	Nil
Capital Commitments will be incurred over the next:		
Less than one year	Nil	Nil
In one year or more but less than two years	-	-
In two years or more and less than five years	-	-
In five years or more	-	-
The Association expects these commitments to be financed with:		
Available cash reserves	Nil	Nil
Social Housing Grant	-	-
Proceeds from the sale of properties	-	-
Committed loan facilities	-	-

19. CONTINGENT LIABILITIES

There were no contingent liabilities at the Statement of Financial Position date.

20. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

21. RELATED PARTIES

Any transactions are at arm's length and on normal commercial terms and the Board Member cannot use their position to their advantage.

22. TAXATION

By virtue of s. 478 Corporation Tax Act 2010, the Association is exempt from Corporation Tax.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

23. DEFERRED CAPITAL GRANT

	2019 £	2018 £
At start of the year	6,922,218	7,014,999
Grant received in the year	-	-
Released to income in the year	(92,781)	(92,781)
At the end of the year	<u>6,829,437</u>	<u>6,922,218</u>
Amount due to be released < 1 year (Note 13)	92,781	92,780
Amount due to be released > 1 year (Note 14(a))	6,736,657	6,829,438
At the end of the year	<u>6,829,438</u>	<u>6,922,218</u>
The total accumulated government grant and financial assistance received or receivable at 31 March:	<u>9,278,065</u>	<u>9,278,065</u>

24. FINANCIAL INSTRUMENTS

The Association's financial instruments may be analysed as follows:

	2019 £	2018 £
Financial assets		
Financial assets measured at cost		
Cash and Cash Equivalents	608,431	680,947
Financial assets measured at amortised cost		
Rent and Service Charge Debtors	75,688	75,382
Other Debtors	-	15,469
Total financial assets	<u>684,119</u>	<u>771,798</u>
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade Creditors	39,497	147,205
Other Creditors	67,103	56,865
Housing Loans Payable	4,079,125	4,262,362
	<u>4,185,725</u>	<u>4,466,432</u>