Hendre

Report and financial statements

31 December 2020


INTERMEDIATE SCHOOL GIRLS

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Hendre Limited and Group
Strategic Board report and annual financial statements
Year ended 31 December 2020

The Board of Hendre Limited presents its strategic report and annual financial statements for the year ended 31 December 2020.

Introduction by the Chair of Hendre Group

The Hendre Group has continued to make significant progress over the last 12 months, despite the impact of the COVID-19 pandemic.

No-one could have predicted the events that would unfold in 2020. The pandemic has changed the way we live and work in so many ways. The resilience of the organisation in responding to COVID-19 is a testament to all our colleagues and strong leadership. Together, they have ensured that our services were not only maintained for our customers but also adapted them to best suit their changing needs and expectations, while also delivering financial viability and taking steps to build out of the pandemic.

In December 2020 the Housing Regulator issued their Interim Regulatory Judgement, returning the Group to the status of 'standard' in respect of Governance (including services to tenants). After a number of challenging years, we have delivered on our commitments in the Transforming Governance Improvement Plan, which have made comprehensive improvements in respect of how the organisation is governed and managed. The Interim Regulatory Judgement also confirmed that we maintained our standard financial viability status.

To ensure we have the specialist skills and knowledge to help us operate in a sustainable and successful way, we have focused on strengthening our Board to make sure we have a good skill mix of membership to allow informed decision-making and robust governance. This included a number of recruitment exercises for Board and Committee roles, including my own appointment as Chair.

We have also carried out significant work in further developing the skill base of Board and Committee members, such as ensuring a robust understanding of the regulatory framework and engagement in developing our care strategy. Members have also input into the organisation's manifesto for the Senedd Cymru - Welsh Parliament election in 2021 and participated in various detailed subject matter reviews. These activities have delivered a greater knowledge of the organisation and have provided Board Members with the tools to both strategically plan and gain assurance about delivery for our customers.

The events of the pandemic have prompted us to review our strategic priorities and refresh our approach, focusing on what matters the most for our customers while ensuring the organisation's financial sustainability. Many of the things we identified as priorities in our 2019-2024 Strategic Plan remain important and our commitment to them still stands but we believe we can do more.

We are committed to our 'Leaving No-one Behind' programme, which captured our colleagues' experiences of COVID-19 and will inform our decisions and actions. This is just one of the ways that improved communications and feedback from colleagues has helped to shape our plans and priorities, supporting a culture of engagement and transparency while encouraging colleagues to contribute to future decision-making.

As difficult and challenging the last 12 months have been, colleagues and Board members remain positive and ambitious, thinking creatively and imaginatively about the future and how we can deliver better services for our customers.

Looking ahead, we will focus on continuing to improve our governance while maximising our investment in our housing stock and setting out a long-term plan for our care estate.

We will deliver innovative solutions to tackle loneliness and isolation. We are doing this through a unique collaboration with Accenture, Amazon, Swansea University's Centre for Innovative Ageing and the Life Science Hub Wales. While we recognise that technology can never replace human interaction, our hope is that the solution can supplement the work of our Neighbourhood team.

We will also be focusing on climate change and are working to reduce the carbon footprint of our homes and business operations while promoting sustainable lifestyles to reduce carbon consumption.

Finally, we will continue to help our communities become more resilient, particularly as they experience the fallout from COVID-19. Driven by the work of our frontline teams and our coaching approach, we recognise and will build on the strengths and assets of our customers and communities.

I am keen for the organisation to build on the momentum of the last 12 months and look forward to embedding our new strategic priorities and working with colleagues to deliver high quality services for the people who need us.

Jonathan Morgan
Chair of Hendre Group

Legal status and rules of the Association

Hendre Limited is a ‘not for profit’ organisation administered by the Board and is registered as a charitable housing association (No. 29386R) under the Co-operative and Community Benefits Socialities Act 2014 and is registered with the Welsh Government (No. L132).

The Registered Office of the Association is St Hilary Court, Copthorne Way, Culverhouse Cross, Cardiff, CF5 6ES.

Hendre Limited has a thirty per cent equity investment in the Welsh Housing Partnership and WHP2.

Hendre Limited and its subsidiaries are members of Community Housing Cymru.

Structure of the Hendre Group

Membership will be restricted to people who will have a long-term interest in the well-being of Hendre Limited which is the parent organisation of the Hendre Group. At the year end the Group comprised Hendre Limited (the ‘parent’), Hafod Housing Association Limited, Hafod Resources Limited, Foundation Housing Tai Sylfaen (the ‘subsidiaries’) and Yellow Wales, a subsidiary of Hafod Housing Association Limited.

Hafod Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered as a registered social landlord with the Welsh Government.

Hafod Resources Limited is registered under the Companies Act. Hendre Limited is the sole shareholder in Hafod Resources Limited.

Foundation Housing Tai Sylfaen is a non-registered social landlord, registered under the Co-operative and Community Benefit Societies Act 2014.

Yellow Wales is a registered charity and a company limited by guarantee.

All members of the Group are ‘not for profit’ organisations with the exception of Hafod Resources Limited. The subsidiaries, with the exception of Hafod Resources Limited, are registered under charitable rules and consequently their activities will be exempt from corporation tax under current legislation.

Hendre Limited’s subsidiaries are administered by separate Boards. Hendre Limited exercises its parental control over its subsidiaries by having the ability to appoint, at any time, the majority of members onto each of the Boards of its subsidiaries. Hendre Limited, as sole shareholder, appoints all members to the Board of Hafod Resources Limited.

Shareholders

Membership will be restricted to people who will have a long-term interest in the well-being of Hendre Limited and the Group and are likely to be able to make some significant contribution to its work. People admitted to membership will be those who are likely to be candidates for election to the Board and who can make a substantial contribution to the long-term well-being of Hendre Limited and the Group. Membership will, therefore, be restricted to a relatively small group, having a 'stewardship' role.

No individuals or organisations will be admitted into membership under circumstances in which an individual might derive personal gain, financially or otherwise.

All applicants to become a shareholder of Hendre's subsidiaries are subject to approval of the Hendre Limited Board.

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Board, committees and executive officers

The current members of the Hendre Board are as follows:

Chair	Mr J Morgan
Vice Chair	Mrs D Jones*

Other members

Ms T Beggs	Mr N Davies*
Ms T Donnelly	Dr E Haywood
Mrs K Howells*	Mr M Jones
Mr D Michael	Mr S Vedi
Mr D Warrender (Co-opted October 2020)	

Company Secretary	Mrs T Healey

There have been the following changes to Board membership since the financial statements for the year ended 31 December 2019 were approved at the Board meeting held on 18 May 2020:

Ms C Fletcher	Resigned October 2020
Mr P Maggs	Resigned June 2020

Board members who are Chairs of Group Committees are indicated with an asterisk against their name.

Hendre Limited has established the following Group-wide committees:

- Audit and Risk Committee, this Committee has four independent Members (Mr R Alexander, Mr M Rees, Mrs J Meacham (co-optee) and Mr M Veale (co-optee). The co-optees were appointed in November 2020).
- Remuneration and Appointments Committee
- Schedule 1 Committee
- Pension Committee
- Safeguarding panel, independent Chair Mrs R Price (resigned February 2021)

The Executive Board comprises the following senior executives:

Group Chief Executive	Jas Bains
Deputy Chief Executive	David Hayhoe
Corporate Director - Finance and Investments	Simon Mellor (from April 2021)
Corporate Director - People, Communications and IT	Karen Rosser
Corporate Director - Assurance, Governance and Business Change/Company Secretary	Tracey Healey
Operations Director - Housing, Support and Development	Elke Winton
Operations Director - Asset Management and Property Services	Luke Mitchell
Interim Responsible Individual	Catrin Fletcher (from October 2020)
Interim Care Operations Lead	Margaret Harris (from October 2020)
Director of Research and Innovation	Jamie Smith

During the year the following senior executives were also employed by the Group:

Director of Care Operations	Jonathan Harker (to Dec 2020)
Corporate Director - Finance and Investments	Gareth Yeoman-Evans (to Dec 2020)

The senior executives hold no interest in the shares of the Hendre Limited or its subsidiaries. Under the Regulation and Inspection of Social Care (Wales) Act 2016 (the “Act”), Hafod Housing Association Limited must appoint a Responsible Individual (“RI”) in relation to its regulated services. In order to meet the Act, Catrin Fletcher is the appointed RI and is co-opted onto Hafod Housing Association Limited’s Board

Current obligations of Board members to the Board and the Association

The Board has ultimate responsibility for the governance of the Association and ultimate control over all aspects of its work to ensure its financial, legal and service obligations are properly fulfilled.

The Board is responsible for setting strategy and directing the Association's affairs, ensuring its long-term success. Day-to-day leadership and management is delegated to the Chief Executive and through the Executive Team.

The core responsibilities of the Board, as set out in the Board members role description, and terms of reference, are as follows:

- to set and oversee the long term strategic direction for the organisation
- to contribute to, and share responsibility for, Board decisions; including the duty to exercise all reasonable care, skill and independent judgement
- to set the risk appetite and monitor risk
- to ensure an effective business plan and budget is in place and that the business remains financially viable
- to ensure that performance is monitored against targets and managed through internal controls and delegation
- to approve key policies and take decisions about matters reserved to the Board
- to ensure that the Board fulfils its duties and responsibilities for the proper governance of the organisation including compliance

All Board and Committee members must, within one month of appointment, sign and deliver to the Board a statement confirming that they will meet their obligations to the Board and to the Association.

Skills, qualities and experience required by the Board from its members

The Board must be competent in the wider sense to carry out its defined role. Competence in this wide sense goes beyond particular skills. It includes the ability to understand the impact of the Group's work on local communities and those it seeks to serve. It requires a high level of commitment and cohesion in pursuit of shared goals.

We have a robust Governance Framework in place that includes:

- Statement of preferred Composition
- Membership Policy
- Role Profiles for Board and Committee Members
- Strengthened the Board and Audit and Risk Committee with new members
- Board Charter
- Succession Plan
- 360 degree Performance Reviews

Statement of responsibilities of the Board in respect of the Board's strategic report and the financial statements

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

The law requires the Board to prepare Group and parent Association financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Association and of the surplus or deficit for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and the parent Association and enable them to ensure that their financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Board is also responsible for ensuring the integrity of the corporate and financial information included on the Group's website.

Housing Association governance – reporting on internal controls

The Welsh Government requires registered social landlords (RSLs) to report on internal controls (Welsh Government Circular RSL 02/10). These requirements have been adapted to suit RSLs. The Group has adopted the Community Housing Cymru code of governance.

We believe that good governance is essential to the success and sustainability of our business. The Governance Framework has been published to aid board's decision-making process and its responsibility at the Hendre Group. It gives access to key governance documents with the aim of strengthening our governance and increasing our governance literacy.

The documents have been written using best practice and will provide us with the framework to meet the organisation's regulatory and legal obligations.

The Board is ultimately responsible for the Group's system of internal control which is designed to provide reasonable but not absolute assurance regarding the safeguarding of the assets, the maintenance of proper accounting records and the reliability of financial information.

The following mechanisms have been put in place, which are designed to provide effective internal financial control:

- Clearly defined management and reporting structures
- Careful recruitment and effective financial training programmes
- Board Assurance Framework
- Regulations and procedures manuals for staff
- Management information and accounting systems with quarterly reporting of financial results and other performance indicators
- Rolling five and thirty year strategic business plan forecasts
- Monitoring of the control systems by the Audit and Risk Committee.

The Audit and Risk Committee has a wide remit to monitor all aspects of risk and assurance management, audit, internal control, whistleblowing, fraud, money laundering and bribery prevention.

The Group complies with best practice on the prevention of fraud. In particular, it has a clear counter fraud policy and strategy in place. The strategy covers the prevention, detection and reporting of fraud and the recovery of assets. There have been no cases of fraud reported during the year.

RSM was appointed as the Group's internal auditor in 2019. Its reports are presented for scrutiny at the Audit and Risk Committee and then ratified at the Hendre Board. The annual internal audit programme is determined in annual workshops held with Hendre Board, Audit and Risk Committee, Executive team and RSM.

Risk and risk management

Group risk management framework

A Risk Management Framework was developed in May 2019 and reviewed in September 2020. This document is designed to deliver a consistent framework for risk management across the Group as an integral part of decision making including forming part of our strategic planning process.

Risk management is applied at four levels:

i. **Strategic**
Risks identified and managed by the Hendre Board and Executive Board. These are risks that could de-stabilise the business or have a significant impact on our long-term strategic objectives.

ii. **Corporate**
Risks from across the business that have collective oversight by the Executive Board and Senior Management team where the risks could impact operational plans, financial performance, project risks, or anything that could undermine business goals.

iii. **Operational**
Risks identified in the business environment for each individual business unit/ directorate where risks are managed locally.

iv. **Project**
Risks identified as potential barriers to delivering projects against scope.

The overall risks and challenges facing the Hendre Group are assessed and monitored by the Board and Audit and Risk Committee on a regular basis using the risk management framework. A key factor is having a comprehensive understanding of the business environment in which the Group operates and the key factors that will impact upon the Group's aim of sustaining long term financial viability that will enable it to continue to provide high quality services to current and new customers within a well governed organisation.

The Board has set its appetite for risk and will use this as a benchmark for making strategic decisions about current service provision or future growth.

Risks facing Association and the Hendre Group

The Board has strengthened its governance arrangements and its regulatory status was returned to 'Standard' in December 2020. The Board has identified one of its strategic objectives to be first-class governance. It is important that we continue to build on the progress we have made. During the COVID-19 pandemic our Governance Model adapted to ensure flexibility and agility in our decision making and risk management to enable business continuity.

The Board recognises that, in an uncertain economic environment, there are significant operational and financial risks and challenges that face the Group at present and into the foreseeable future, particularly given the diverse nature of the Group's operations. Some of these risks are known, identifiable and manageable and have been incorporated into the Group's strategic risk register.

The Audit and Risk Committee receive a risk report at every meeting. The Hendre Board has delegated oversight and scrutiny of risk management to the Audit Committee. The strategic risks are reviewed on a regular basis both individually and collectively by the Executive team prior to being scrutinised by Audit and Risk Committee.

The COVID-19 crisis has impacted our risks and operating environments and risk profile has been updated to reflect these changes. Emphasis in Hendre has moved from managing the pandemic to monitoring the resilience of our business and delivery of our strategic priorities. In addition to this, an exercise was carried out with the Executive team and Hendre Board to review the English and Welsh sector risks, the risks highlighted by the insurance industry and finally looking at the world risks to inform our thinking. The 'wisdom' emerging is that a prudent but adaptive approach to corporate activity, supported by good governance, will be a major determinant in corporate survival post-COVID-19. On that accepted wisdom, the entire risk profile has been challenged. This will be an ongoing process to ensure the organisation is on the front foot and we remain vigilant to the changes to our operating environment.

The Board sets clear financial performance objectives, for both the short and long term, for each operational area of the business. There is a well defined framework for key financial controls with a robust process of reporting and monitoring financial performance to the Board.

The Group's treasury management policy is the mechanism by which the Board outlines the type and amount of risk it is prepared to assume to deliver its strategy and run day-to-day operations. Its treasury management activities are defined as:

> 'The management of the organisation's investments and cash flows, its banking, money market, capital markets and derivative transactions, and its security portfolio; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'

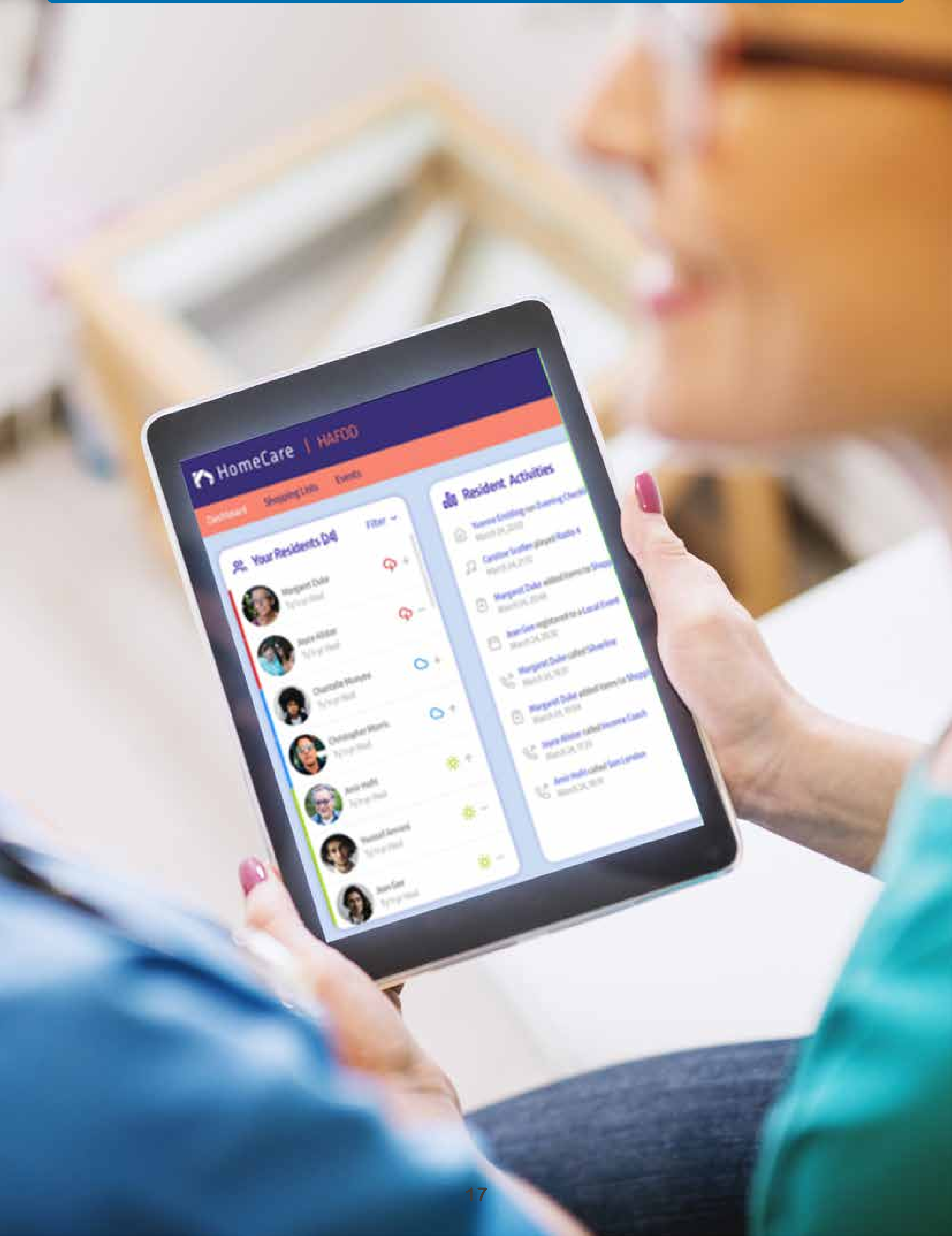
Furthermore, in March 2020, the Hendre Board approved a set of 'golden rules' that provides a clear view of the Group's financial risk appetite and how they are utilised as a control in balancing strategic ambitions with continued financial resilience.

The Group continues to invest in new developments through a variety of delivery methods, including traditional grant funded, intermediate grant funded, section 106 and low cost home ownership. This requires careful monitoring and management of our commitments to ensure external lenders' covenants are not breached.

The majority of colleagues employed by the Group are in defined contribution pension schemes with the exception of those who were transferred into Hafod Care Association Limited when it took over the management of the residential care homes in Torfaen. As part of the transfer of engagements of Hafod Care Association Limited to Hafod Housing Association Limited in 2019, the pension scheme assets and liabilities were transferred to Hafod Housing where colleagues are entitled to defined benefits offered by the Torfaen Local Government Pension Scheme. Full disclosure of the financial exposure to this scheme is included in notes to the financial statements.

An incident occurred in December 2019 involving a resident at one of our care homes who incurred injuries as a consequence of a fall from height. The Health and Safety Executive (HSE) were informed and subsequently their officers visited the site in February and March 2020, concluding that a breach of health and safety regulations had occurred. Hafod subsequently carried out all recommended works to eliminate the risk of a reoccurrence of such an incident.

The planned re-visit by the HSE to inspect the remedial works was delayed until March 2021 as a result of the pandemic. We currently await feedback from the HSE on any proposed actions resulting from this incident.


HomeCare | HAFOD
Resident Activities

Strategic plan

During late 2020/early 2021 the Board and the Executive Team took the opportunity of revisiting and refreshing the Group's strategic priorities. In summary the Board have approved the following twelve strategic priorities:

- Putting our customers and communities first
- Health and social care
- Next generation homes
- Next generation support
- Joining the dots through integration
- Leadership
- First class governance
- Mitigating climate change
- Enabling through resources and finance
- Creating great places to work
- Accelerating our digital transformation
- Delivering meaningful innovation

Customers

One of the Group's key strategic priorities is putting customers and communities first. This year we have further built on the foundations created through the customer charter and created different ways to hear the customer voice across all areas of our business. This has been particularly important during the pandemic period, with a need for services being agile and responsive to the emerging needs of customers as they arise, but also more proactive in reaching out to people and communities during the period of uncertainty and, for many, significant challenges.

An example of this is where, through the neighbourhood coaching model, Coaches have remodelled and increased the focus on creating stronger relationships with customers. Coaches have undertaken welfare calls and contacts with customers across housing services to improve the understanding of what truly matters, and to find ways of working together that supports the achievement of personal goals. There are many examples within our communities that demonstrate how this is starting to grow and become a new model of early interaction that helps prevent further distress, and negative impacts on health and well-being.

Whilst this year has seen many challenges, alongside this, many opportunities have arisen for all customer facing colleagues to develop new ways to engage with our customers. Social media, in particular Facebook, has proved to be an effective way of communicating with communities. Setting up area-based Facebook groups enabled a local context to our dialogue. This has been particularly effective in our care home settings, enabling vital social contact and interaction between our care customers and their families.

The customer voice has been actively sought through various channels and we have been able to demonstrate through a number of projects what difference this has made.

During the pandemic, a specific focus has been on gleaning feedback on the nature of support, advice and assistance available.

This provided 689 responses across care, housing and support customers with an average of 90% of responses feeling that the organisation had responded well to COVID-19. Accompanying intelligence has been essential in ensuring service delivery is modelled in accordance with putting customers first.

Similarly, putting customers at the starting point of service re-design has been paramount, and this is evident in question of the month, mystery shoppers and service based reviews which were used to ensure customer focus in the design of new contracts such as the window cleaning and out of hours services.

One of the strongest signals of intent towards our customer focus has been our approach to innovation. In 2020, we took the decision to spin our research and innovation function out of the main organisation, to allow it to work at arms' length and pursue new opportunities on behalf of our customers. With this has come the formation of new partnerships with global technology providers, prominent sustainability organisations, leading university researchers and a range of public service collaborators. Innovations have come to fruition around isolation and loneliness, where we have supported customers with bespoke technology created to mitigate the negative effects on health and well-being.

Digital inclusion and data poverty are being addressed through a collaboration that distributes repurposed mobile phones and data packages to people in need and we are breaking new ground with our ethnographic research into financial well-being and experiment around the distribution of menstrual products to address period poverty. We have also deployed our research capabilities into developing a rent policy that takes account of affordability factors and is indexed against local incomes and housing costs.

Spinning out the function in this way has already fulfilled our intention of getting closer to the everyday problems and pressure points customers face in their lives and allowed us to create meaningful innovations to address them, with several more in the pipeline.

Building trust and meaningful interaction with our customers remains a priority and continuing engagement to improve the overall customer experience is well embedded into the Group's vision, strategy and direction of travel for 2021 and onwards.

Performance for the year

The impact of the pandemic that led to the first lockdown in March 2020 resulted in a significant degree of uncertainty across all of our areas of operation – the potential impact of the pandemic on residents and colleagues at our care homes, the services we provide to our existing tenants and their families, the practicalities of meeting our repairs and maintenance commitments to our tenants – all had the potential of adversely impacting on the financial viability of the organisation.

However, Hafod entered the pandemic on a strong financial footing and quickly took action to evaluate the potential negative impacts of the pandemic on our ability to weather the storm.

The following brief synopsis details the impact that COVID-19 has had on both our operations and the financial results for the year and how these risks have been mitigated, either by internal action or by external support.

Care homes

Caring for frail and vulnerable clients in our care homes presented the biggest challenge over the year. Higher mortality rates followed by restrictions on the ability to admit new residents, resulted in occupancy levels deteriorating over the first wave of the pandemic and, following a short respite, spiking again to unprecedented levels as winter brought the second wave of the pandemic. Financial support from the Welsh Government, local authorities and health boards in underwriting losses from low occupancy levels has been critical in sustaining our care businesses during 2020 and into the first half of 2021. This will provide the care homes with the opportunity to build up their occupancy levels over 2021 as infection rates fall and there is a return to some degree of normality.

In the early phase of the first lockdown, faced with uncertainty of securing adequate supplies of personal protective equipment from local authorities, we took the decision to secure our own supply lines and, where possible, build up a strategic central stock of equipment. Reliance on this centrally procured stock gradually diminished over the year as supplies from local authorities began to match demand.

The commitment and dedication of front line colleagues providing social care across the country is well documented and this applies equally to those colleagues in Hafod. The challenges of colleagues requiring to shield because of underlying medical conditions or required to self-isolate because of positive COVID-19 tests, has put pressures on the staffing levels at our care homes but the tremendous resourcefulness of all involved in providing care to our residents has ensured that everyone has been cared for in a safe and secure environment.

In August 2020, after considerable deliberation, the Board reluctantly took the decision to close our care home at Tŷ Gwyn. Whilst recognising the exemplary quality of care provided by our colleagues to the residents, the physical condition of the home provided a living environment which did not meet Hafod’s aspirations. External advice concluded that no amount of investment in the property would bring it up to modern standards. In consultation with relatives, residents were transferred to their new homes over the second half of 2020, many of them expressing preferences to remain within a Hafod care home in the vicinity. Colleagues who wished to stay with Hafod were also accommodated, where possible, in other Hafod services.

Providing care to our clients, either in our properties or in their own homes presents different challenges compared to a care home setting. In homecare, moving from one location to another during a highly contagious pandemic magnifies the risks to both colleagues and clients. These risks were mitigated to a large extent with the supply of appropriate personal protective equipment. It is, however, to the credit of our homecare colleagues that this service has continued to support vulnerable and elderly people in their own homes over the year.

Supported accommodation
As with homecare, providing support to vulnerable clients, whether in our own properties or in their own homes brings unique challenges.

Much of our supported accommodation is shared, bringing specific challenges around social distancing and increasing the risks of transmission of the virus. Initially during the first lockdown some face-to-face support had to be replaced by telephone support. Our support colleagues have gone above and beyond expectations to ensure the needs of our vulnerable clients have been met as fully and normally as possible during the pandemic.

Repairs and maintenance
For safety reasons, restrictions on the ability of either our in-house maintenance team or external contractors to enter properties to undertake both routine repairs and major planned replacement work has significantly impacted on the work of our Assets team over 2020 and the first half of 2021. With suitable precautions, all emergency repair work and, in particular, all work necessary to discharge our landlord compliance and health and safety obligations has been undertaken. Where possible resources have been diverted to undertake external works where this can be done safely. However, the outcome has been a large backlog in the planned replacement of internal components (kitchens, bathrooms etc.). In order to catch up with this programme, these works will be re-profiled, post COVID-19, when it is safe to do so.

Development of new properties
The first lockdown resulted in a number of our building contractors ceasing work on many of our development sites. This also coincided with the imposition of Welsh Government regulations restricting house moves except in very exceptional circumstances. New homes coming into management and being available for occupation was, therefore, behind schedule. However, by the end of the year we had successfully brought 198 new properties into management.
The Association has made arrangements with our bankers to issue a £2.0m surety bond for our development activities.

Housing and other services provided by centrally based colleagues
The ‘work from home wherever possible’ directive initially posed a major challenge to our colleagues who normally work out of our central offices. Acquiring and then equipping everyone with the right technology was the first priority which was achieved with commendable speed by our IT team. Our primary objective was to ensure that the services provided to our clients by centrally based colleagues not only continued as normally as possible, but were also aligned to the changed circumstances in which our clients found themselves. We also took the opportunity, as we moved to new ways of working remotely, to begin to fundamentally reconsider how we should adapt our services post COVID-19. Non-customer facing services have also continued to be successfully provided remotely over the period of the pandemic.

Financial performance

The Group's surplus for the year of £3.3m was 5.4% of turnover (2019: £1.9m, 3.1% of turnover); the operating surplus of £8.9m was 14.3% of turnover (2019: £7.3m, 12.0% of turnover).

One hundred per cent of the Group's surplus is re-invested into the business either to develop more homes for those in need of affordable housing or to improve the services we provide to our customers. Although not material in the context of the overall results for the year we did reflect in the accounts the consequences of certain aspects of the impact of the pandemic on our services. These include:

- Recognising that the pandemic limited the ability of our contractors to perform the full range of site services that are normally included in service charges to our tenants/ leaseholders. In recognition of this we deferred a proportion of service charge income from 2020 to 2021.
- Recognising a liability in the 2020 financial statements for the cost of non-urgent repairs that were committed in 2020 but not capable of completion because of limitations to property access as a result of the pandemic.
- The cost of protective personal equipment acquired at Hafod's cost during the year. At the year end the accounts hold an amount in prepayments for the unused cost of this equipment.

As mentioned previously, Tŷ Gwyn Care Home was also closed in the year. The financial impact of the closure, including redundancy costs and write-off of assets have been accounted in the 2020 financial statements. The impact of the closure is not material in relation to the overall results for the year.

Summary statement of comprehensive income – Group

	2020 £m	**2019 £m**	**2018 £m**
Turnover	62.3	60.6	55.5
Operating expenditure	(53.5)	(53.7)	(47.1)
Other operating income & costs	-	0.1	(0.1)
Surplus on disposal of assets	0.1	0.3	0.5
Operating surplus	**8.9**	**7.3**	**8.8**
Net interest payable	(5.6)	(5.4)	(4.9)
Other income and expenditure	-	-	-
Taxation	-	-	0.1
Surplus for the year	**3.3**	**1.9**	**4.0**
Actuarial gain/(loss) in respect of pension scheme	(0.4)	0.5	(0.5)
Total comprehensive income for the year	**2.9**	**2.4**	**3.5**

An independent evaluation of the Greater Gwent (Torfaen) final salary pension scheme resulted in an actuarial loss on the scheme being reported in Hafod Housing Association Limited's statement of comprehensive income for the year of £0.4m (2019: £0.5m actuarial gain). This matter is dealt with further in the financial statements.

Summary statement of financial position – Group

	2020 £m	2019 £m	2018 £m
Fixed assets	381.9	369.8	344.3
Current assets	33.0	33.4	39.9
Total assets	**414.9**	**403.2**	**384.2**
Current liabilities	(10.3)	(10.4)	(9.8)
Housing loans	(137.6)	(136.5)	(129.0)
Government grants	(192.9)	(185.5)	(176.5)
Deferred tax	-	-	-
Defined benefit pension liability	(0.7)	(0.3)	(0.8)
Total liabilities	**(341.5)**	**(332.7)**	**(316.1)**
Net assets represented by reserves	**73.4**	**70.5**	**68.1**

Revenue reserves at the end of 2019 of £70.5m increased to £73.4m as at 31 December 2020, this net increase comprising the surplus for the year (£3.3m) and the actuarial loss on the pension scheme (£0.4m).

Summary statement of financial position – Group

	2020 £m	2019 £m	2018 £m
Opening cash and cash equivalents	**18.4**	**26.6**	**24.8**
Net cash from operating activities	16.3	10.7	14.1
Purchase of fixed assets	(17.1)	(27.6)	(25.4)
Investment in joint venture	(0.9)	(3.9)	-
Dividend received	-	-	-
Proceeds from sale of fixed assets	0.9	1.2	1.5
Government grants received	7.5	9.0	7.9
Net interest paid	(5.6)	(5.2)	(4.8)
Loan received/(repaid)	1.1	7.6	8.5
Net cash inflow/(outflow)	**2.2**	**(8.2)**	**1.8**
Closing cash and cash equivalents	**20.6**	**18.4**	**26.6**

There was a net cash inflow from operating activities during the year of £16.3m (2019: £10.7m). External borrowing was offset by bank account balances to leave net debt at the end of 2020 of £117m (2019: £118m). After cash outflows in respect of interest payable, loan repayments, investment in component replacements and purchase of replacement fixed assets, the Group generated 'free cash flows' of £6.9m (2019: £-1.3m).

The financial statements and supporting notes detail the financial performance of the various operating activities of the Group.

Key financial performance indicators – Group

	2020	2019	2018
Operating surplus as % of turnover	14.3%	12.0%	15.9%
Net surplus as % of turnover	5.3%	3.1%	7.2%
Net surplus as percentage of net assets	4.5%	2.7%	5.9%
Average net interest cost	4.1%	4.2%	4.0%
Change in annual turnover	2.8%	9.2%	6.9%
Change in net assets	4.1%	3.5%	5.4%

Value for money

Value for money (VFM) is about delivering services in the most effective and efficient way aligned to our vision of 'improving health, well-being and prosperity in communities by helping to integrate the systems of housing, health, social care and support'. There are a range of perspectives held by different stakeholders on what the 'value' means in VFM. For Hendre and its entities, VFM is about ensuring that every pound spent makes the best use of resources to deliver the maximum impact possible and that it does so in the pursuit of social objectives that benefits a range of stakeholders. At the core of our VFM Strategy is our commitment to generating social value and investing in our communities.

As a registered social landlord we need to meet the requirements of the Welsh Government Regulatory Framework, which states that housing associations must achieve value for money and make the best use of resources. We see this not only as a regulatory obligation, but also an opportunity. With effective governance, management and accountability we will embed value for money into every aspect of our operations to enable us to address emerging housing, support and social care needs to meet the challenges for 2021 and beyond.

In 2020 we reviewed and updated our approach to VFM and we have identified objectives in four key areas:

- To maximise value from our Group structure
- To obtain VFM through effective procurement
- To understand value to enable us to optimise efficiencies and use resources effectively
- To deliver community benefits

The Group produced a comprehensive Value for Money (VFM) report in autumn 2020 which outlined, for each of our VFM objectives, not only our achievements but also our future plans and areas identified for improvement. The review, which is published on our website, can be accessed via the following link:

https://www.hafod.org.uk/wp-content/uploads/Value-For-Money-VFM2020-final.pdf

We recognise the value in building a full picture of the performance of our own organisation and how we improve over time, but also how our peers in the sector are performing in comparison with Hafod. With this in mind we have signed up with Community Housing Cymru to participate in the Welsh VFM Sector Scorecard Pilot.

The scorecard aims to demonstrate the sector's accountability to its customers and stakeholders and includes a variety of measurements and metric across five areas:

- Business health
- Development capacity and supply
- Outcomes delivered
- Effective asset management
- Operating efficiencies

The following table shows, for a selection of the metrics:

- a) Hafod's performance scores for the year ended 31 December 2019

- b) Hafod’s performance scores for the year ended 31 December 2020
- c) Sector median scores for the latest published data based on financial years ending 31 March 2020.*

Sector scorecard measure	**Hafod 2020**	**Hafod 2019**	**Sector median scorecard Mar-20**	
Operating margin (overall)	14.1%	11.5%	20.1%	Care operations depress Hafod's overall operating margin
Operating margin (social housing lettings)	24.1%	19.0%	21.0%	Thirty year financial projections target increasing percentage social housing margin for next ten years
Interest cover - EDITDA MRI	219.7%	165.3%	183.0%	
Units developed - social (nos)	198	242	38	Lower 2020 performance reflects cyclical nature of development activity
Units developed as % of total owned - social	3.4%	4.3%	1.3%	Hafod significantly higher than sector median
Gearing	33%	34%	40%	
Customer satisfaction with overall service provided (%)	N/A	79%	81%	Hafod's 2020 position will be communicated with publication of tenants survey results later in 2021
Return on capital employed	2.2%	1.8%	2.3%	Hafod's score depressed by combination of lower operating margins in care and higher investment in care homes without grant support
Ratio of responsive repairs to planned maintenance	0.7	0.5	0.8	Hafod's increase refelctive of increased focus on responsive repairs during pandemic
Occupancy (general needs)	99.2%	99.3%	99.2%	

* As most other participants in the Welsh housing sector have a March financial year end. Published sector information for 2020/2021 will be available towards the last quarter of 2021. Other metrics are collected as part of the sector scorecard but comparisons between Hafod, with a significant care operation, and other traditional social landlords can be misleading.

Our colleagues

Throughout 2020 our colleagues have gone above and beyond to deliver services for our customers during a very challenging time. The impact of COVID-19 on our teams and their families has been significant. We have adjusted our people plans and focus to respond to our colleagues' needs, supporting their well-being whilst improving their work experiences by moving forward with key elements of our people strategy.

Recruitment and retention

A key objective was to ensure we had the colleagues needed to support our services. To achieve this, we introduced the 'Helping Hands' scheme which enabled colleagues to take time from their usual role to support our care services, and helped us attract new care colleagues to join us. We overhauled our recruitment, induction and onboarding processes enabling us to successfully bring new colleagues into the business through online ways of working.

New developments have included the introduction of recruitment packs for key vacancies, video adverts and task-based selection processes which have proven to be a better predictor of candidate success. Work on our employment brand is leading to high volumes of applicants who are attracted to the socially conscious elements of our organisation, our opportunities for development and flexible and family friendly environment.

During the year we made a commitment to launching the Great Place to Work survey to measure areas such as colleague trust, engagement and well-being, and to benchmark us against other organisations. Taking action, based on the responses of our colleagues will be central to driving our work on enabling our colleagues to have great days at work in line with our people strategy.

Skills development

Our commitment to developing our colleagues' skills and supporting them to achieve their ambitions continued throughout 2020. All our mandatory and compliance training was moved online. Academi Hafod has continued to go from strength to strength with the introduction of significant development programmes to support colleagues in many areas including; project management, well-being and resilience, decarbonisation, train the trainer and psychologically informed environments.

We also delivered a programme of development for line managers focusing on developing skills including managing grievances, whistleblowing, safeguarding, holding performance appraisals, setting objectives and managing sickness absence.

We have started our career path mapping with the development of new training matrices for all roles and the roll out of our career pathways to all roles in care. These pathways will enable colleagues to understand how they progress from a care assistant role to more senior positions such as a nursing care assistant, registered general nurse or residential or nursing care home management. We plan to introduce career pathways for every role in 2021.

Culture, leadership and behaviours

We have stepped up our focus on equality, diversity and inclusion (EDI) through the creation of EDI champions and an EDI steering group. These groups have set out our EDI vision and ambitions and have been focused on educating and upskilling colleagues in relation to EDI. We have also committed to the Tai Pawb 'Words not Deeds' pledge which is focused on race equality and the 'Time to Change' pledge to change how we all think and act about mental health in the workplace.

Whilst not required by legislation, we published our 2019 Gender Pay Gap report in April 2020 which showed a median pay gap improvement of 3.6%. We are delighted with the continued closing of our pay gap which has improved by over 10 percentage points since the start of the gender pay reporting requirement in 2017(2018 report). We are also pleased that our gap is smaller than the average reported by the Office of National Statistics by 6.7 percentage points.

During the pandemic we have seen cultural change in all areas of the business. To capture the learning from this, our Research and Innovation team have scrutinised the changes that have taken place and identified the factors that have made the change possible. Extensive research involving interviews with colleagues from across Hafod has highlighted both the successes in our culture change journey and the next steps we need to take to make the most of the transformational benefits that the pandemic has generated.

We were delighted to recognise the work of our front line teams by providing a thank you gift and card, which was very positively received. We also invested in Christmas gifts to demonstrate our appreciation and documented the fantastic stories of where our colleagues went the extra mile.

People practices

Our HR and payroll teams have worked tirelessly to respond to multiple changes in legislation aligned to COVID-19 including; changes to the DBS process, sick pay, holiday changes, shielding, furlough and the Welsh Government special payment scheme. The teams showed their commitment to the well-being of colleagues by contacting and offering support to every colleague who experienced COVID-19 or had to self-isolate or shield.

Our ambition to move to a flexible way of working has been escalated by the pandemic. A more flexible approach to working in a more agile way has been positively received by colleagues, however there is more work to do on embedding different ways of working rather than just move the office to home. This will be a focus for the team going forward beginning with our 'Ways of Working' project and new home working policy.

In November 2020 we introduced a new HR and Payroll system 'My Hafod' that offers colleagues and managers self-service access to their key personal information and enables them to carry out key tasks such as booking holidays, changing their details, viewing team calendars, viewing pay-slips and much more. This system will continue to be developed to enhance functionality and become a key source of information for our colleagues.

In the year we have seen consistent improvements in colleague retention, ending the year with a 3% improvement on the number of colleagues with over one year service. 2020 has been both a challenging and rewarding year for our colleagues. Our colleagues have truly made a difference to our customers, and in supporting each other as demonstrated throughout this report. Our people strategy and plans are focused on continually improving our colleagues experience to ensure that we are offering the best possible service for our colleagues, customers and communities.

Modern Slavery and Human Trafficking statement

Introduction
Hendre Group (we) present our annual statement pursuant to the provisions of Section 54 of the Modern Slavery Act 2015 (the Act) for the year ending 31 December 2020. This statement is produced on behalf of the Hendre Limited and all subsidiaries.

This annual statement is intended to:

- outline our commitment to modern slavery and human trafficking matters
- set out the measures we have in place to mitigate our modern slavery and human trafficking risks
- outline the actions that we have taken in 2020 to further strengthen our controls and measures.

About Hendre Group
Working throughout south Wales, we provide a wide range of housing, support and care services. The services we provide include the provision of high-quality affordable homes and supporting people to maintain their independence and personal well-being in their own homes, supported housing or in a residential care settings.

Our mission is to Make Lives Better and our vision is to improve health, well-being and prosperity in communities by helping to integrate the systems of housing, health, social care and support. We recognise that we work in an area that could be susceptible to the risks of modern slavery and human trafficking, especially as we work with vulnerable groups within society.

Commitment
In compliance with the Modern Slavery Act 2015, we are committed to preventing modern slavery and human trafficking in all our activities and ensuring that our supply chains are free from slavery and human trafficking.

Responsibilities
The Hendre Board has overall responsibility for this statement and the organisation's response to the Modern Slavery Act 2015. The Executive team are responsible for putting in place the measures that ensure compliance with the legislation and for monitoring compliance.

Line managers are responsible for engaging with their team to implement policies and procedures and ensuring that their teams are aware of the responsibilities and receive appropriate training.

Employees are responsible for carrying out their work in line with the policies and procedures and for applying Hafod's values and behaviours in everything they do.

Recruitment and employment
As a large employer we recognise that we need to be alert to the potential risks of modern slavery and human trafficking in our recruitment and employment practices. To mitigate against these risks the following controls and measures are in place:

- In order to be offered employment with us all applicants go through a robust selection process that includes an interview
- We conduct a number of mandatory checks, in respect of eligibility to work in the UK, as well as safeguarding practices and disclosure checks
- Our checks apply to all appointments whether employment is permanent, temporary or fixed term
- All colleagues are provided with a clear contract of employment, which complies with legislation
- All laws and standards related to wages, benefits, working hours and minimum age are adhered to
- No young persons may be employed below the age of 16
- All new starters are enrolled onto training that will help them understand where they can go for help should they need it.

Agency working
We use only specified, reputable employment agencies to source labour and always verify the practices of any new agency before accepting workers.

Policies
We operate a number of policies and procedures that describe our approach to the identification of modern slavery risks and steps to be taken to prevent modern slavery and human trafficking in its operations. These include:

Whistleblowing policy (Raising Concerns at Work policy and procedure)
We encourage all our colleagues to report any concerns related to the direct activities or the supply chains of our organisation. This includes any circumstances that may give rise to an enhanced risk of slavery or human trafficking.

Our Raising Concerns at Work policy and procedure is designed to make it easy for colleagues to make disclosures, without fear of retaliation and includes our grievance, safeguarding and whistleblowing policies. Colleagues can raise any concerns confidentially through the policy and/or they can raise concerns directly to our Hendre Board.

Employee code of conduct
Our code makes clear to employees the actions and behaviour expected of them when representing our organisation. We strive to maintain the highest standards of employee conduct and ethical behaviour in line with our organisational values:

- Working together
- Respect
- Professional
- Learning and improving
- Great service

Anti-Bribery and corruption
Our Modern Slavery and Human Trafficking policy sets out what is expected of colleagues and Board members in relation to guarding against bribery or corruption in the course of their work. The policy sets out our aims, statement and responsibilities and our commitment to prevent modern slavery and human trafficking.

Counter fraud and anti-corruption policies
We have in place various policies relating to counter fraud and anti-corruption which detail the Group's expectation that all individuals employed (as well as external organisations associated in whatever way with the Group) will act with integrity and that Board members and colleagues at all levels will lead by example in these matters.

Training
We provide training through our Learning and Development team to ensure our employees have full awareness of modern slavery and human trafficking, as well as other related policies including safeguarding, raising concerns at work, and equality and diversity. Our modern slavery training includes:

Safeguarding level 1
As part of our training framework all colleagues are expected to complete our Safeguarding Adults level 1 online training. This training enables colleagues to recognise the signs of abuse, how they can help reduce the likelihood of abuse occurring and how to respond to suspected or disclosed abuse. It examines national policies, local systems and Hafod's policies and procedures.

Safeguarding level 2
All of our front line colleagues in Care, Support and Housing complete Safeguarding level 2 training. This training provides learners with a deeper understanding of safeguarding procedures. This includes an overview of the specific responsibilities under the Care Act 2014, and the steps that colleagues can take to minimise the risk of abuse or neglect. The modern slavery content of Safeguarding level 2 was revised and updated in 2020.

Safeguarding level 3
Leaders and managers who are directly responsible for the care of adults complete Safeguarding level 3. This training helps supervisors to provide support to colleagues should issues of safeguarding occur, and also provides an overview of the required safeguarding reporting procedures.

Additional learning
We have a resource library on our learning management system which provides further information should any of our colleagues need any additional information or support with regard to human trafficking, forced labour, servitude and slavery.

As part of our induction training, colleagues also complete e-learning around equality and dignity at work in line with our policies and procedures.

Supply chains
We are committed to ensuring that our suppliers adhere to the highest standards of ethics. They are required to demonstrate that they provide safe working conditions where necessary, treat workers with dignity and respect, and act ethically and within the law in their use of labour.

We work with suppliers to ensure that they meet the standards of the code and improve their employees' working conditions. However, serious violations of our supplier code of conduct will lead to the termination of the business relationship.

As a condition of tendering for our contracts, suppliers who are required to produce a Modern Slavery Statement must evidence this. Those who are not required to hold a Modern Slavery Statement, or those who's Statement we consider insufficient, must agree to utilise this document as a condition of the contract.

Supplier/Procurement code of due diligence
We undertake due diligence when considering taking on new suppliers, and regularly review existing suppliers. Our due diligence and reviews include:

- Mapping the supply chain broadly to assess particular products or geographical risks of modern slavery and human trafficking
- Evaluating the modern slavery and human trafficking risks of each new supplier
- Conducting supplier audits or assessments through the organisation's own colleagues, which have a greater degree of focus on slavery and human trafficking where general risks are identified
- Taking steps to improve substandard suppliers' practices, including providing advice to suppliers through and requiring them to implement action plans
- Invoking sanctions against suppliers that fail to improve their performance in line with an action plan or seriously violate our supplier code of conduct, including the termination of the business relationship.

Our ongoing approach
We ensure that our policies and practices remain up to date. This ensures that we are fully aware of and compliant with the steps we need to take against modern slavery and human trafficking.

Actions taken in 2020
We are always looking at ways in which we can improve our processes and ways of working to further mitigate any risks of modern slavery and human trafficking. In 2020 we carried out the following:

- On a regular basis we use internal audits to check on compliance with policies and procedures, and in our 2020 financial period a procurement audit was undertaken
- Despite additional pressures due to the COVID-19 pandemic we have maintained the standards we have set out to identify and prevent modern slavery and human trafficking
- We have improved the way we communicate with employees, ensuring they have access to the information they need and are able to contact us for support more easily
- We have implemented a new HR and Payroll system that improves the way in which we check and verify changes to personal details such as bank details and addresses.

Our plans for 2021 are as follows:

- Identifying a suitable ethical supplier database, where suppliers can be checked for their labour standards, compliance in general, and modern slavery and human trafficking in particular
- Identifying and participating in collaborative initiatives focused on human rights in general, and modern slavery and human trafficking in particular
- Implementation of registration with the Ethical Employment in Supply Chains Code of Practice as a mandatory requirement for suppliers
- Further enhancing the checks we have in place with agency suppliers
- Providing improved systems to enable colleagues to raise concerns
- We will continue to develop our HR system for verifying checks on personal data such as eligibility to work and personal details in line with settled status.

Other matters

Subsequent events

There have been no events subsequent to the date of the Group's financial position that have had a material effect on the results of the Group as reported in these financial statements.

Disclosure of information to the Auditor

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish the Group's auditor is aware of such information.

Annual general meeting

The annual general meeting will be held on 21 June 2021.

Auditor

The auditor, Mazars LLP, is willing to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

The report of the Board was approved on 24 May 2021 and signed on its behalf by:

Jonathan Morgan, Chair

Independent Auditor’s report to the members of Hendre Limited

Opinion

We have audited the financial statements of Hendre Limited (the ‘parent association’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2020 which comprise the Group and Hendre Limited’s Statements of comprehensive income, the Group and Hendre Limited’s Statements of financial position, the Group and Hendre Limited’s Statements of cash flows and the Group and Hendre Limited’s Statements of changes in reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 Group’s and of the parent association’s affairs as at 31 December 2020 and of the Group’s and Hendre Limited’s surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information contained within the annual report. 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.

We have reviewed the Board's statement on Hendre Limited's compliance with the Welsh Government circular RSL 02/10 'Internal controls and reporting'. We are not required to express an opinion on the effectiveness of Hendre Limited's system of internal control.

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 course of 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.

Opinion on other matters prescribed by the Welsh Government circular RSL 02/10 'Internal controls and reporting'

In our opinion, based on the work undertaken in the course of the audit, with respect to the Board's statement on internal control:

- the Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting'
- the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

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 Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the parent association has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; 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 the Board's responsibilities set out on page 11, 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 Group's and Hendre Limited'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 Group or Hendre Limited 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and Hendre Limited, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, Welsh Government legislation of the regulation of Registered Social Landlords and Social Care and implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to capitalisation of works to existing properties, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit
- Considering the risk of acts by the Group and Hendre Limited which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud
- Gaining an understanding of the internal controls established to mitigate risks related to fraud
- Discussing amongst the engagement team the risks of fraud
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to Hendre Limited’s members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to Hendre Limited’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 Hendre Limited and Hendre Limited’s members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
First Floor
2 Chamberlain Square
Birmingham
B3 3AX

Date: 21 June 2021

Financial statements

Group statement of comprehensive income
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	62,278	60,623
Operating expenditure	3	(53,462)	(53,669)
Surplus on disposal of property, plant and equipment	5	123	317
Surplus on revaluation of investment properties	18	-	55
Share of deficit in joint ventures	21	(18)	(12)
Operating surplus	3	**8,921**	**7,314**
Interest receivable	6	55	203
Interest and financing costs	7	(5,627)	(5,624)
Other finance cost	38	(7)	(22)
Surplus before tax	3	**3,342**	**1,871**
Taxation	12	(2)	(3)
Surplus for the year		**3,340**	**1,868**
Actuarial (loss)/gain in respect of pension scheme	39	(383)	541
Total comprehensive income for the year		**2,957**	**2,409**

Group statement of changes to reserves
As at 31 December 2020

	2020 £'000	2019 £'000
At beginning of year	**70,481**	**68,072**
Surplus for the year	3,340	1,868
Actuarial (loss)/gain in respect of pension scheme	(383)	541
At end of year	**73,438**	**70,481**

Hendre Limited statement of comprehensive income
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	584	1,255
Operating expenditure	3	(577)	(1,306)
Surplus on revaluation of investment properties	18	-	55
Operating surplus	3	7	4
Interest receivable	6	-	-
Interest and financing costs	7	-	-
Surplus before tax	3	7	4
Taxation	12	-	-
Surplus for the year		7	4

Hendre Limited statement of changes to reserves
As at 31 December 2020

	2020 £'000	2019 £'000
At beginning of year	3,597	3,593
Surplus for the year	7	4
At end of year	3,604	3,597

Group statement of financial position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Housing properties	14	354,279	343,413
Intangible assets	16	330	90
Other property, plant and equipment	17	2,959	3,080
Investment property	18	997	997
Home Buy loans	19	10,915	10,633
Investment in MORhomes plc	20	62	62
Investment in joint ventures	21	12,419	11,537
		381,961	369,812
Current assets			
Inventories	22	82	1,419
Deferred taxation	13	-	2
Debtors due after one year	23	8,109	8,304
Debtors due within one year	24	4,256	5,318
Treasury deposits	25	20,075	17,816
Cash at bank and in hand	25	520	574
		33,042	33,433
Creditors: amounts falling due within one year	26	(17,165)	(14,658)
Net current assets		15,877	18,775
Total assets less current liabilities		397,838	388,587
Creditors: amounts falling due after more than one year	27	(323,655)	(317,774)
Defined benefit pension liability	39	(745)	(332)
Net assets		**73,438**	**70,481**
Capital and reserves			
Called up share capital	32	-	-
Revenue reserves		73,438	70,481
Group funds		**73,438**	**70,481**

The financial statements were approved by the Board on 24 May 2021 and signed on its behalf by:

Chair

Board Member

Secretary

Hendre Limited statement of financial position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	**16**	50	90
Other property, plant and equipment	**17**	2,000	2,122
Investment property	**18**	997	997
Investment in MORhomes plc	**20**	62	62
Investment in joint venture	**21**	15,530	14,630
		18,639	17,901
Current assets			
Debtors due within one year	**24**	931	990
Cash at bank and in hand	**25**	4	5
		935	995
Creditors: amounts falling due within one year	**26**	(279)	(936)
Net current assets		656	59
Total assets less current liabilities		19,295	17,960
Creditors: amounts falling due after more than one year	**27**	(15,691)	(14,363)
Net assets		**3,604**	**3,597**
Capital and reserves			
Called up share capital		-	-
Revenue reserves		3,604	3,597
Association's funds		**3,604**	**3,597**

The financial statements were approved by the Board on 24 May 2021 and signed on its behalf by:

Chair

Board Member

Secretary

Group statement of cash flows
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	a	**16,311**	**10,661**
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,283)	(24,440)
Home Buy loans		(1,890)	(3,142)
Investment in MORhomes plc		-	(32)
Investment in joint venture		(900)	(3,860)
Proceeds from sale of property, plant and equipment		916	1,240
Grants received		7,553	9,040
Interest received		55	203
Net cash flows from investing activities		**(9,549)**	**(20,991)**
Cash flows from financing activities			
Interest paid		(5,673)	(5,457)
New loans		2,898	10,740
Repayments of borrowings		(1,782)	(3,186)
Net cash flows from financing activities		**(4,557)**	**2,097**
Net increase/(decrease) in cash and cash equivalents		**2,205**	**(8,233)**
Cash and cash equivalents at beginning of year		**18,390**	**26,623**
Cash and cash equivalents at end of year	b	**20,595**	**18,390**

Notes to the Group statement of cash flows
Year ended 31 December 2020

a) Net cash generated from operating activities

	2020 £'000	2019 £'000
Surplus for the year	3,342	1,871
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	7,196	6,552
Impairment of properties	43	-
Surplus on revaluation of investment properties	-	(55)
Decrease/(increase) in inventories	1,337	(172)
Decrease/(Increase) in debtors	1,062	(1,681)
(Decrease)/Increase in creditors	(89)	874
Pension costs less contributions payable	30	78
Carrying amount of property, plant & equipment disposals	793	923
Share of deficit in joint ventures	18	12
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(916)	(1,240)
Government grants utilised in the year	(2,077)	(1,922)
Interest payable	5,627	5,624
Interest received	(55)	(203)
Net cash generated from operating activities	**16,311**	**10,661**

b) Cash and cash equivalents

	2020 £'000	2019 £'000
Treasury deposits	20,075	17,816
Cash at bank and in hand	520	574
	20,595	**18,390**

c) Free cash flow

	2020 £'000	2019 £'000
Net cash generated from operating activities	16,311	10,661
Interest paid	(5,673)	(5,457)
Interest received	55	203
Component replacements	(1,246)	(3,129)
Purchase of other replacement fixed assets	(758)	(414)
Free cash generated before loan repayments	**8,689**	**1,864**
Loans repaid (excluding revolving credit and overdrafts)	(1,782)	(3,186)
Free cash generated after loan repayments	**6,907**	**(1,322)**

Notes to the Group statement of cash flows
Year ended 31 December 2020

d) Reconciliation of net cash flow to movement in net debt

	2020	2019
	£'000	£'000
Increase in cash in the year	2,205	(8,233)
Cash inflow from changes in debt	(1,116)	(7,554)
Movement in net debt in the year	1,089	(15,787)
Net debt at 1 January	(118,133)	(102,346)
Net debt at 31 December	**(117,044)**	**(118,133)**

e) Analysis of changes in net debt

	At 1 January 2020	**Cash flows**	**At 31 December 2020**
	£'000	£'000	**£'000**
Cash and cash equivalents	18,390	2,205	20,595
Housing loans	(136,523)	(1,116)	(137,639)
Net debt	**(118,133)**	**1,089**	**(117,044)**

Hendre Limited statement of cash flows
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	a	**121**	**102**
Cash flows from investing activities			
Purchase of property, plant and equipment		(27)	(150)
Investment in MORhomes plc		-	(32)
Investment in joint venture		(900)	(3,860)
Grants received		1,328	1,066
Net cash flows from investing activities		**401**	**(2,976)**
Cash flows from financing activities			
Inter-company loan		-	1,800
Inter-company debtors and creditors		(523)	1,050
Net cash flows from financing activities		**(523)**	**2,850**
Net decrease in cash and cash equivalents		**(1)**	**(24)**
Cash and cash equivalents at beginning of year		**5**	**29**
Cash and cash equivalents at end of year	b	**4**	**5**

Notes to the Hendre Limited statement of cash flows
Year ended 31 December 2020

a) Net cash generated from operating activities

	2020 £'000	2019 £'000
Surplus for the year	7	4
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	189	189
Surplus on revaluation of investment properties	-	(55)
Increase in debtors	(15)	(2)
Decrease in creditors	(60)	(34)
Adjustments for investing or financing activities:		-
Interest payable	-	-
Interest received	-	-
Net cash generated from operating activities	**121**	**102**

b) Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	4	5
	4	**5**

c) Free cash flow

	2020 £'000	2019 £'000
Net cash generated from operating activities	121	102
Purchase of other replacement fixed assets	(27)	(150)
Free cash generated before loan repayments	**94**	**(48)**
Loans repaid (excluding revolving credit and overdrafts)	-	-
Free cash generated after loan repayments	**94**	**(48)**

d) Reconciliation of net cash flow to movement in net debt

	2020 £'000	2019 £'000
Increase in cash in the year	(1)	(24)
Cash inflow from inter-company debtors and creditors	523	(2,850)
Movement in net debt in the year	522	(2,874)
Net debt at 1 January	(4,662)	(1,788)
Net debt at 31 December	**(4,140)**	**(4,662)**

e) Analysis of changes in net debt

	At 1 January 2020 £'000	Cash flows £'000	At 31 December 2020 £'000
Cash and cash equivalents	5	(1)	4
Inter-company debtors and creditors	(4,667)	523	(4,144)
Net debt	**(4,662)**	**522**	**(4,140)**

Notes to the financial statements
Year ended 31 December 2020

1 Principal accounting policies

a) Basis of accounting
The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (March 2018) (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

b) Going concern
In preparing the financial statements on the going concern basis the directors have had regard to the budgets, business plans, liquidity position and financial forecasts for the Group. The Board has reviewed and approved a number of stress tests to the business plan in light of the COVID-19 pandemic together with assessment of plans to mitigate any impacts arising. Following this review the Directors consider it appropriate to draw up the financial statements on the going concern basis.

c) Basis of consolidation
The Group financial statements consolidate the financial statements of Hendre Limited and its subsidiary undertakings drawn up to 31 December each year. Business combinations which are considered to be acquisitions are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Combinations carried out at nil consideration are accounted for so that any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as income within the statement of comprehensive income. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

d) Other accounting policies
The accounting policies applied in preparing these financial statements are set out in the notes that follow.

2 Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements:

Classification of financial instruments between basic and other

Financial instruments are classified as either basic or other, with differing accounting treatments depending on the classification. Section 11 of FRS 102, 'Basic Financial Instruments', sets out the requirements for the recognition, measurement and derecognition of basic financial instruments. This section sets out the conditions that must be met in order to classify a financial instrument as basic and therefore account for it in accordance with Section 11. The Association has considered this guidance and concluded that FRS 102's requirements are most appropriately interpreted to classify all financial instruments held by the Association as basic.

Development expenditure

The Group capitalises development expenditure in accordance with the accounting policy described on page 62. Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs, requires judgement. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed and, in determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Key sources of estimation uncertainty applied in preparing these financial statements include the following:

i) Investment properties are measured at fair value bi-annually with any change recognised in surplus in the Statement of Comprehensive Income. A formal external valuation was carried out at 31 December 2019 and was prepared in accordance with the RCIS Valuation - Global Standards 2017. (see note 18)

ii) The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. Variations in these assumptions could significantly impact the liability. The assumptions selected and associated sensitivity analysis are disclosed in note 39.

iii) Where land is acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The land is recognised at fair value, taking account of any restrictions on the use of the land. The difference between the fair value of the land acquired and the consideration paid is recognised as a government grant and included as a liability. A valuation technique is used which incorporates all factors that market participants would consider in setting a price. This is a judgemental exercise involving the selection of a method, formulae and assumptions.

3 Turnover, operating surplus and surplus before taxation

Group

	Turnover £'000	Operating costs £'000	Operating surplus / (deficit) £'000	**2020 Surplus / (deficit) before taxation £'000**	2019 Surplus / (deficit) before taxation £'000
Social housing lettings:					
General needs housing	26,411	20,088	6,323	6,323	4,830
Shared ownership	380	108	272	272	357
Supported housing	8,832	6,849	1,983	1,983	1,163
Other social housing activities:					
Private sector leasing	1,019	1,026	(7)	(7)	77
First tranche sales	1,826	1,345	481	481	875
Residential care homes	9,470	9,189	281	281	(113)
Non social housing activities:					
Nursing care homes	11,305	11,607	(302)	(302)	(140)
Homecare	2,798	3,050	(252)	(252)	(169)
	62,041	**53,262**	**8,779**	**8,779**	**6,880**
Other income and expenditure	237	200	37	37	74
Surplus on disposal of property, plant and equipment	-	-	-	123	317
Surplus on revaluation of investment properties	-	-	-	-	55
Share of surplus/(deficit) in joint venture	-	-	-	(18)	(12)
	62,278	**53,462**	**8,816**	**8,921**	**7,314**
Interest receivable				55	203
Interest and financing costs				(5,627)	(5,624)
Other finance cost				(7)	(22)
Surplus before tax				**3,342**	**1,871**

3 Turnover, operating surplus and surplus before taxation (continued)

Hendre

11.

	Turnover £'000	Operating costs £'000	Operating surplus / (deficit) £'000	**2020 Surplus / (deficit) before taxation £'000**	2019 Surplus / (deficit) before taxation £'000
Other income and expenditure	584	577	7	7	(51)
Surplus on revaluation of investment properties	-	-	-	-	55
	584	**577**	**7**	7	**4**
Interest receivable				-	-
Interest and financing costs				-	-
Surplus before tax				7	4

Turnover comprises:
- Rent, fees and service charge income receivable in the year from tenants, residents and leaseholders;
- Income from other goods and services supplied in the year (excluding VAT);
- Income from homeless leasing schemes;
- Revenue grants, including amortisation of government grants; and
- COVID-19 grant income received from the Welsh Government and Local Health Boards (this does not include any grant received where the Group has acted as an agent) ; and
- Income from sale of housing property stock.

Properties sold through tenants exercising their right to buy or their right to acquire are included within surplus or deficit on the sale of fixed assets. The proceeds from the first tranche sale of shared ownership properties are included within turnover. Subsequent tranche sales are included within the surplus or deficit on the sale of fixed assets.

4 Particulars of income and expenditure

	Social housing lettings			Other social housing activities			Non social housing activities			
	General needs housing £'000	Shared ownership £'000	Supported housing £'000	Private sector leasing £'000	First tranche sales £'000	Residential care homes £'000	Nursing care homes £'000	Homecare £'000	**2020 Total £'000**	2019 Total £'000
Turnover										
Rents, fees and other charges	23,714	269	4,797	995	-	8,645	10,645	2,727	**51,792**	50,628
Service charges	957	111	1,456	23	-	-	-	-	**2,547**	2,640
Revenue grants	-	-	2,236	-	-	-	-	-	**2,236**	1,980
Amortised government grant	1,740	-	336	1	-	-	-	-	**2,077**	1,922
COVID-19 grants	-	-	7	-	-	825	660	71	**1,563**	-
Sale proceeds	-	-	-	-	1,826	-	-	-	**1,826**	3,090
	26,411	**380**	**8,832**	**1,019**	**1,826**	**9,470**	**11,305**	**2,798**	**62,041**	**60,260**
Operating costs										
Management and service costs	10,537	96	4,717	868	-	8,334	10,751	3,050	**38,353**	35,973
Maintenance	4,626	-	1,185	146	-	506	396	-	**6,859**	8,541
Bad debts	127	12	(7)	(27)	-	17	26	-	**148**	622
Deficit on replacement of property components	209	-	23	1	-	160	14	-	**407**	270
Depreciation of properties	4,589	-	931	38	-	172	420	-	**6,150**	5,759
Cost of sales	-	-	-	-	1,345	-	-	-	**1,345**	2,215
	20,088	**108**	**6,849**	**1,026**	**1,345**	**9,189**	**11,607**	**3,050**	**53,262**	**53,380**
Operating surplus / (deficit)	**6,323**	**272**	**1,983**	**(7)**	**481**	**281**	**(302)**	**(252)**	**8,779**	**6,880**
Rent loss from voids (memorandum note)	192	-	159	18	-	954	1,091	-	**2,414**	1,477

Surplus on first tranche sales comprises of 9 sales (2019: 17).

Depreciation of properties includes £0.141m for the disposal of Ty Gwyn Care Home, a 35 bed residential care home in Cwmbran that was closed during the period.

5 Surplus on disposal of property, plant and equipment

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Sale proceeds	916	1,240	-	-
Cost of sales	(793)	(923)	-	-
	123	317	-	-

Surplus on disposal of property, plant and equipment comprises of 9 (2019: 24) traditional staircasing sales and 8 disposals resulting in a surplus of £123k (2019:£317k).

6 Interest receivable

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank interest receivable	55	203	-	-

7 Interest and financing costs

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank loans	5,627	5,624	-	-

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

The Group does not capitalise any interest costs associated with its development activity.

8 Surplus on ordinary activities before taxation

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
		Restated		
Surplus on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation of property, plant and equipment	6,749	6,239	149	146
Amortised government grant	(2,077)	(1,922)	-	-
Surplus on disposal of property, plant and equipment	(123)	(317)	-	-
Audit fees:				
- Statutory audit	42	41	4	4
- Audit related assurance services	6	5	2	1
Operating lease rentals	1,831	1,652	-	-

9 Units in management

	2019 Number	Adjustments	Additions	Disposals	**2020 Number**
General needs	4,308	(49)	181	(9)	4,431
Shared ownership	101	(3)	4	(2)	100
Supported housing	491	36	-	(1)	526
Private sector leasing and lettings	131	-	3	(7)	127
Residential care homes	271	-	-	(36)	235
Nursing care homes (non-social lettings)	239	-	-	-	239
Home Buy	351	8	9	(16)	352
Leaseholders	208	(1)	1	-	208
	6,100	(9)	198	(71)	6,218

In addition to bed spaces and units in management the Group also provides floating support, tenant support and homecare services to 787 (2019: 1,138) clients.

10 Employee information

The average number of staff employed during the year was as follows:

	Group		**Hendre Limited**	
	2020 Number	2019 Number	**2020 Number**	2019 Number
The average number of staff employed during the year was as follows:	1,373	1,342	-	2
The total number of staff employed at the end of the year was:	1,372	1,365	-	-

The total costs for the staff employed was as follows:

	Group		**Hendre Limited**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Wages and salaries	24,862	23,314	-	362
Social security costs	1,897	1,810	-	40
Pension costs	1,048	981	-	31
	27,807	26,105	-	433

Included in the wages and salaries reported above is an accrual for all outstanding benefits to which employees (including senior executives) have become entitled to at the year end as a result of their service, including holiday pay, garden leave and long service benefits. The total accrued as at 31 December 2020 was £572,794 (2019: £157,142). Senior executives do not have any entitlement to enhanced benefits.

The charge for pension represents contributions paid by the Group to the pension schemes. Outstanding amounts payable to the schemes at the year end were £170,126 (2019: £191,672).

The Group operates a salary exchange scheme that is available to all employees.

11 Members' and key management personnel emoluments

For the purpose of this note, members and key management personnel refer to the senior executives contracted and employed by the Hendre Group as outlined on page 9.

The Group's Senior Executives are ordinary members of the Group's defined contribution pension scheme. No enhanced or special terms apply to their membership and the Group makes no contribution to any individual pension arrangement in respect of their employment.

Emoluments, including benefits in kind, payable to key management personnel of the Group were as follows:

	2020	2019
	£'000	£'000
Emoluments	953	934
Pension contributions	99	90
Total emoluments	1,052	1,024

Emoluments payable to the Group Chief Executive Officer:

	2020	2019
	£'000	£'000
Emoluments	141	138
Pension contributions	15	14
Total emoluments	156	152

The number of Senior Executives who received emoluments (excluding pension contributions) were in the following ranges:

	2020	2019
	Number	Number
£10,001 - £20,000	-	2
£20,001 - £30,000	-	1
£30,001 - £40,000	-	1
£60,001 - £70,000	-	1
£70,001 - £80,000	2	3
£80,001 - £90,000	2	2
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1
£110,001 - £120,000	-	-
£120,001 - £130,000	2	1
£130,001 - £140,000	1	1
£140,001 - £150,000	1	-

Notes to the financial statements
Year ended 31 December 2020

11 Members' and key management personnel emoluments (continued)

Board and Committee Members of the Hendre Group are remunerated under a deed of services agreement, in accordance with guidance issued by Community Housing Cymru.

The aggregate emoluments paid or receivable by Members were £106,567 (2019: £89,365):

Name	£	Hendre Board	Housing Board	Audit and Risk Committee	Remuneration Committee	Schedule 1 committee	Pension committee	Safe guarding
Mr J Morgan (Chair)	14,000	✓	✓		✓			
Mrs D Jones	11,000	✓	✓		✓			
Mrs K Howells	11,000	✓	✓		✓	✓		
Mr N Davies	11,000	✓	✓	✓	✓	✓	✓	
Mrs T Beggs	8,000	✓	✓	✓				
Mr M Jones	8,000	✓	✓					
Dr E Haywood	8,000	✓	✓			✓		
Mr D Michael	8,000	✓	✓	✓			✓	
Mrs T Donnelly	8,000	✓	✓	✓		✓		
Mrs R Price	5,000							✓
Mrs J Meacham	3,192			✓				
Mr M Veale	3,192			✓				
Mr R Alexander	2,500			✓				
Mr D Warrender	-	✓						
Mr S Vedi	-	✓	✓		✓	✓		
Mr M Rees	-			✓			✓	

Expenses paid during the year to Board and Committee Members amounted to £83 (2019: £713).

12 Taxation

Hendre Limited is registered for VAT. All the subsidiaries, except Yellow Wales, are VAT registered but a large proportion of their income is exempt for VAT purposes and this therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT, and the input VAT recovered is included in income.

The surpluses of Hendre Limited and the subsidiaries are exempt from taxation as they are accepted as charities for tax purposes with the exception of Hafod Resources Limited whose profits are subject to corporation tax.

12 Taxation (continued)

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before tax	3,342	1,871	7	4
Surplus on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19% (2019: 19%)	638	359	1	1
Effects of:				
Surpluses from tax exempt income	(639)	(355)	(1)	(1)
Fixed asset differences	-	-	-	-
Expenses not deductible for tax purposes	-	-	-	-
Income not taxable for tax purposes	-	-	-	-
Adjustment to tax charge in respect of previous periods	-	-	-	-
Adjust closing deferred tax to average rate of 19%	-	-	-	-
Adjust opening deferred tax to average rate of 19%	-	(1)	-	-
Deferred tax not recognised	3	-	-	-
Tax charge for the year	2	3	-	-

13 Deferred taxation asset

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At beginning of year	2	5	-	-
Statement of comprehensive income	(2)	(3)	-	-
At end of year	-	2	-	-

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to sale of the asset.

14 Housing properties

	Completed properties £'000	Under construction £'000	Completed shared ownership £'000	2020 Total £'000	2019 Total £'000
Cost					
At beginning of year	367,102	28,804	2,029	397,935	372,065
Re-categorisation	7,291	(7,291)	-	-	-
Additions to properties in the year	706	13,365	-	14,071	23,023
Section 106 agreements and donated land	2,108	-	-	2,108	1,858
Schemes completed in the year	20,086	(20,086)	-	-	-
Components replaced in the year	1,753	-	-	1,753	2,807
Disposal of properties in the year	(538)	-	(38)	(576)	(429)
Disposal of components in the year	(950)	-	-	(950)	(1,097)
Impairment of properties	(43)	-	-	(43)	-
Reclassification of assets	(548)	-	548	-	(292)
At end of year	396,967	14,792	2,539	414,298	397,935
Depreciation					
At beginning of year	54,522	-	-	54,522	49,660
Charge for year	6,157	-	-	6,157	5,759
Disposal of properties in the year	(110)	-	-	(110)	(70)
Disposal of components in the year	(543)	-	-	(543)	(827)
Reclassification of assets	(7)	-	-	(7)	-
At end of year	60,019	-	-	60,019	54,522
Net book value					
At end of year	336,948	14,792	2,539	354,279	343,413
At beginning of year	312,580	28,804	2,029	343,413	322,405

In addition to the components replaced in the year, a further £0.7m was spent on major repairs (excluding overheads) and has been written off to the statement of comprehensive income (2019: £1.6m). Improvements capitalised in the year amounted to £0.7m (2019: £1.1m), this included physical adaptation works (PAG's) and buy back of properties.

Properties for letting are stated at historic cost less depreciation. Cost includes the cost of acquiring land and buildings and development costs. Where land or buildings are acquired at below market value e.g. as part of a Section 106 agreement (under the Town and Country Planning Act 1990), the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant. Surpluses or deficits resulting from the sale of properties are shown in the statement of comprehensive income under surpluses/deficits from the sale of property, plant and equipment.

Direct development administration costs capitalised in the year amounted to £0.5m (2019: £0.6m). Costs which are directly attributable to the development activity are capitalised including any third party legal, professional or consultancy costs incurred directly in bringing a project into management. The Group does not capitalise any interest costs associated with its development activity.

Direct maintenance administration costs capitalised in the year amounted to £0.1m (2019: £0.2m) and are included in the components replaced in the year above.

The Group charges depreciation on properties for letting and capitalised components on a straight line basis in order to write off the asset's cost less residual value over its useful economic life.

The above figures exclude the Group's investment in WHP (see note 21).

14 Housing properties (continued)

Where a property for letting comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and is depreciated over its individual useful economic life. Expenditure relating to replacement or renewal of components is capitalised as incurred.

Depreciation on properties for letting is charged from the beginning of the year following the property entering into management. Depreciation on capitalised components is charged from the beginning of the year following the replacement of a capitalised component.

Depreciation is charged on a straight line basis over the assets expected useful economic life as follows:

Component	General needs and supported housing	Residential and nursing homes
Property structure	100 years or the period of lease	50 years or the period of lease
Kitchens	15 years	30 years
Bathrooms	25 years	25 years
Heating systems	15 years	20 years
Electrics	35 years	35 years
Window and doors	30 years	30 years
Roof	65 years	50 years
Lifts	20 years	20 years
Physical adaptions	20 years	n/a
Conversions	20 years	20 years

Shared ownership properties are not depreciated as the residual value, which is the estimated amount that would currently be obtained from sale, is not less than the carrying value. All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against the sale proceeds within the operating surplus in the statement of comprehensive income. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in the housing properties as cost less social housing grant, less any provision for depreciation or impairment.

Hendre Limited

Hendre Limited held no housing or shared ownership properties for letting at the end of the year (2019: nil).

15 Impairment review

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the statement of comprehensive income.

The Group is satisfied, by consideration of a number of factors, that there is no indication of impairment to any category of assets, and thus considers that a full, detailed impairment evaluation is not required. In arriving at this conclusion the Group has considered the current level of demand for property across all areas and property types, the low level of void losses, current and projected cash flows, and the ongoing investment in property maintenance and improvement.

15 Impairment review (continued)

During 2020 Hafod Housing Association Limited received an offer for the disposal of a site outside our strategic operating area which fell below the carrying value of the property. A decision was made to dispose of this property which will be completed in 2021. This has resulted in an impairment to the value of this property which was accounted for in 2020.

16 Intangible assets

	Group		Hendre Limited	
	2020 Total £'000	2019 Total £'000	**2020 Total £'000**	2019 Total £'000
Cost				
At beginning of year	412	357	412	357
Additions during year	331	55	-	55
At end of year	743	412	412	412
Depreciation				
At beginning of year	322	279	322	279
Charge for year	91	43	40	43
At end of year	413	322	362	322
Net book value				
At end of year	330	90	50	90
At beginning of year	90	78	90	78

Intangible assets relates to computer software and is stated at historic cost less accumulated depreciation. The Association charges depreciation on a straight line basis in order to write off the asset's cost less residual value over its useful economic life which ranges from 4 to 10 years depending on the software requirement.

17 Other property, plant and equipment

Group

	Office property £'000	Service equipment £'000	Computers, furniture, vehicles and equipment £'000	**2020 Total £'000**	2019 Total £'000
Cost					
At beginning of year	2,613	979	5,462	9,054	8,640
Re-categorisation	-	(16)	16	-	-
Additions during year	-	73	354	427	414
Disposals during year	-	-	(580)	(580)	-
At end of year	2,613	1,036	5,252	8,901	9,054
Depreciation					
At beginning of year	889	671	4,414	5,974	5,494
Re-categorisation	-	(23)	23	-	-
Charge for year	41	53	454	548	480
Disposals during year	-	-	(580)	(580)	-
At end of year	930	701	4,311	5,942	5,974
Net book value					
At end of year	1,683	335	941	2,959	3,080
At beginning of year	1,724	308	1,048	3,080	3,146

17 Other property, plant and equipment (continued)

During the year, historic assets with nil net book value were disposed of.

Hendre Limited	Office property £'000	Service equipment £'000	Computers, furniture and equipment £'000	**2020 Total £'000**	2019 Total £'000
Cost					
At beginning of year	2,613	-	1,560	4,173	4,078
Additions during year	-	-	27	27	95
Disposals during year	-	-	(580)	(580)	-
At end of year	2,613	-	1,007	3,620	4,173
Depreciation					
At beginning of year	889	-	1,162	2,051	1,905
Charge for year	41	-	108	149	146
Disposals during year	-	-	(580)	(580)	-
At end of year	930	-	690	1,620	2,051
Net book value					
At end of year	1,683	-	317	2,000	2,122
At beginning of year	1,724	-	398	2,122	2,173

Other property, plant and equipment is stated at historic cost less accumulated depreciation. The Group charges depreciation on a straight line basis in order to write off the asset's cost less residual value over its useful economic life. The principal asset lives on which depreciation is based are:

Office buildings	50 years
Computer equipment	5 years
Service equipment	5 - 10 years
Equipment, furniture and fittings	4 - 10 years
Motor vehicles	3 years
Air conditioning	15 years
Telephone switchboard	15 years
Photovoltaic panels	25 years

18 Investment property

	Group		**Hendre Limited**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
At beginning of year	997	942	997	942
Surplus on revaluation of investment properties	-	55	-	55
At end of year	997	997	997	997

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment. Investment properties are measured at fair value bi-annually with any change recognised in surplus or deficit in the statement of comprehensive income. Although an independant valuation was not carried out for December 2020, it is considered that, as there has been no change to the occupancy of the bulding by commercial tenants and no indication at present of any change to the post pandemic demand for this type of property, the carrying value at the end of the year remains unchanged.

19 Home Buy loans

Group

Home Buy loans relate to properties which the Group has funded under the Home Buy Option scheme. The investment is secured by a second charge over each property. The occupier of each property has the right to acquire the Group's investment at market value.

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At beginning of year	10,633	9,960	-	-
Additions	1,890	3,142	-	-
Disposals	(1,608)	(2,761)	-	-
Reclassification of assets	-	292	-	-
At end of year	**10,915**	**10,633**	-	-

Hendre Limited

Hendre Limited held no home buy loans at the end of the year (2019: nil).

Surpluses or deficits resulting from the sale of fixed asset investments are shown in the statement of comprehensive income under surpluses/deficits from the sale of property, plant and equipment.

20 Investment in MORhomes plc

	2020	2019
	£'000	£'000
At beginning of year	62	30
Shares acquired in the year	-	50
Adjustment to write down share value	-	(18)
At end of year	**62**	**62**

Hendre Limited has an investment in MORhomes plc, which is owned by a number of housing associations. MORhomes plc aims to issue debt listed on the London stock exchange and on-lend those funds as loans to housing associations. The intention is that surpluses will be returned as dividends. It is not currently possible to measure the fair value of this investment and it is therefore stated at cost less impairment.

21 Investment in joint ventures

During 2011, Hendre, established The Welsh Housing Partnership Limited ("WHP"), a Jointly Controlled Entity with three other Welsh Registered Social Landlords.

During 2017, Hendre, established WHP2, a Jointly Controlled Entity with three other Welsh Registered Social Landlords.

The investment made by Hendre Limited in these two Jointly Controlled Entities are summarised as follows:

	WHP	**WHP2**	**Total**
Group	**£'000**	**£'000**	**£'000**
At the beginning of the year	5,717	5,820	11,537
Additional share capital	-	900	900
Share of (loss) / profit	(30)	12	(18)
At the end of the year	**5,687**	**6,732**	**12,419**

	WHP	**WHP2**	**Total**
Hendre Limited	**£'000**	**£'000**	**£'000**
At the beginning of the year	8,880	5,750	14,630
Additional share capital	-	900	900
At the end of the year	**8,880**	**6,650**	**15,530**

21 Investment in joint ventures (continued)

Hendre holds 30% of the shares in WHP and WHP2. The other investors and their holdings are as follows:

Pennant Housing Association Limited	£15.530m
Pobl Group Limited	£15.530m
Grŵp Cynefin	£5.177m

Shares have voting rights and the entitlement to benefit from dividends and any receipt on dissolution. Hendre has the right to nominate a member to the Board of WHP and WHP2. A partnership agreement sets out the respective rights and obligations of the investors in respect of the strategic and operational conduct of WHP and WHP2.

22 Inventories

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Housing properties	82	1,419	-	-

Inventories consists of one low cost home ownership property awaiting sale (2019: ten properties).

23 Debtors due after more than one year

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Housing Finance Grant	7,994	8,189	-	-
CoCo Debt	115	115	-	-
	8,109	8,304	-	-

Housing Finance Grant (HFG) is paid by the Welsh Government towards the costs of housing assets over a period of 30 years to subsidise the capital and interest costs for the provision of affordable housing. The net present value of the HFG receivable over the agreed payment term is recognised as a capital grant and a deferred debtor. Upon receipt of the grant payments, the debtor decreases by the capital element and the difference between this and the amount of grant received is credited to surplus or deficit in the statement of comprehensive income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets. The capital grant element of HFG previously received is deemed to be repayable upon disposal of a related housing asset. This is treated as recycled capital grant in the recycled capital grant fund and included in the statement of financial position as a creditor.

The CoCo Debt takes the form of a convertible loan note instrument which provides for the issue of notes (the CoCo Notes) which represent a debt owed by MORhomes plc. The CoCo Notes will convert from debt to shares in MORhomes upon certain prescribed events occurring.

24 Debtors due within one year

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Arrears of rent and service charges	3,009	3,220	-	-
Less: provision for bad and doubtful debts	(1,862)	(1,853)	-	-
	1,147	1,367	-	-
Housing Finance Grant	545	545	-	-
Trade debtors	516	813	50	37
Other taxation and social security	9	-	9	-
Other debtors and prepayments	2,039	2,593	16	23
Inter-company debtors	-	-	856	930
	4,256	5,318	931	990

The Group adopts a policy for making full provision for all arrears owed by former tenants plus full provision for all current tenant arrears in excess of eight weeks old at the balance sheet date.

25 Cash and cash equivalents

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Treasury deposits:				
Overnight deposit	5,075	7,816	-	-
One month deposit	10,000	4,999	-	-
Three month deposit	5,000	5,001	-	-
	20,075	17,816	-	-
Cash at bank and in hand	520	574	4	5
	20,595	18,390	4	5

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's treasury management risks are managed under the umbrella of the Group's Treasury Management policy. Under the Group's policy, surplus cash generated by members of the Group is pooled within Hafod Housing Association Limited and placed on deposit with approved counter-parties in line with the credit risk policy.

26 Creditors: amounts falling due within one year

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Revenue grants	5	24	-	-
Housing loans (see note 28)	4,686	2,140	-	-
Interest on housing loans	869	915	-	-
Government grants (see note 29)	2,207	2,065	-	-
Capital expenditure - properties	468	935	-	-
Capital expenditure - components	569	62	-	-
Capital retentions greater than 90 days	398	484	-	-
Trade creditors	2,063	1,863	18	-
Other taxation and social security	1,909	1,353	127	188
Other creditors and accruals	3,991	4,817	134	151
Intercompany creditors	-	-	-	597
	17,165	14,658	279	936

27 Creditors: amounts falling due after more than one year

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Housing loans (see note 28)	132,953	134,383	-	-
Government grants (see note 29)	185,442	178,655	10,691	9,363
Recycled capital grant fund (see note 30)	1,931	1,315	-	-
Home Buy grants (see note 31)	3,329	3,421	-	-
Inter-company loan	-	-	5,000	5,000
	323,655	317,774	15,691	14,363

As at 31 December 2020, Hendre Limited was in receipt of a public benefit entity concessionary loan of £5m from Hafod Housing Association Limited (2019: £5m).

28 Housing loans

Housing loans are secured by specific charges on the Group's properties. The interest rates are fixed at between 1.2% and 10.3% or vary with market rates.

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Repayable by instalments due as follows:				
Between one and two years	1,493	1,445	-	-
Between two and five years	11,740	9,131	-	-
After five years	119,720	123,807	-	-
	132,953	134,383	-	-
Within one year	4,686	2,140	-	-
	137,639	136,523	-	-

As part of the Welsh Government's 'Land for Housing' initiative, Hafod Housing Association Limited received a public benefit entity concessionary loan of £2.9m during the year. Repayments of £0.4m were made leaving a balance of £2.5m at 31 December 2020 (2019: 0.7m). The loan was specifically used for the acquisition of land and is repayable when construction of the scheme begins or within five years, whichever is earlier.

29 Government grants

Group

	Completed properties £'000	Under construction £'000	Completed shared ownership £'000	**2020 Total £'000**	2019 Total £'000
At beginning of year	190,670	11,968	1,089	203,727	191,873
Receipts	1,778	5,359	-	7,137	10,213
Section 106 agreements and donated land	2,108	-	-	2,108	1,858
Schemes completed in year	10,132	(10,132)	-	-	-
Disposal of properties	(282)	-	(22)	(304)	(217)
Reclassification	(147)	-	147	-	-
At end of year	204,259	7,195	1,214	212,668	203,727
Amortisation					
At beginning of year	22,755	-	252	23,007	21,120
Amortised to statement of comprehensive income	2,064	-	13	2,077	1,922
Disposal of properties	(60)	-	(5)	(65)	-
Reduction on sales	2	-	(2)	-	(35)
At end of year	24,761	-	258	25,019	23,007
Net book value					
At end of year	179,498	7,195	956	187,649	180,720
At beginning of year	167,915	11,968	837	180,720	170,753
Due within one year (see note 26)				2,207	2,065
Due after more than one year (see note 27)				185,442	178,655
Total government grants				187,649	180,720

Government grants, including social housing grant (SHG) received from the Welsh Government, relating to the acquisition and development of the Group's housing properties are accounted for under the accrual model and recognised in turnover over the expected useful life of the housing property structure (see note15). Where land or buildings are acquired at below market value e.g. as part of a Section 106 agreement (under the Town and Country Planning Act 1990), the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant.

As at 31 December 2020, the Group had received £10.691m (2019: £9.363m) in social housing grant (SHG) from the Welsh Government in relation to the investment in its joint venture, the Welsh Housing Partnership. The grant is treated as deferred income until the benefits of the grant are realised.

30 Recycled capital grant fund

	Group		**Hendre Limited**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
At beginning of year	1,315	2,249	-	-
Inputs to recycled capital grant fund	395	281	-	-
Recycling of grant	(77)	(1,215)	-	-
Re-categorisation	298	-	-	-
At end of year	1,931	1,315	-	-

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the statement of financial position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the statement of financial position.

30 Recycled capital grant fund (continued)

Re-categorisation of £0.298m relates to grant which was recycled in error. This has been corrected in 2020.

31 Home Buy grants

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At beginning of year	3,421	3,502	-	-
Disposals	(92)	(81)	-	-
At end of year	3,329	3,421	-	-

A Home Buy grant was provided by the Welsh Government to fund all or part of a Home Buy loan (see note 20) provided by Hafod Housing Association Limited to the purchaser of the housing property. When the Home Buy loan is redeemed the respective Home Buy grant is recognised in the recycled capital grant fund.

32 Non equity share capital

	Hendre Limited	
	2020	2019
	£	£
Shares of £1 each fully paid and issued at par		
At beginning of year	18	18
Shares issued during the year	4	5
Shares redeemed/(forfeited) during the year	(4)	(5)
At end of year	18	18

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemption or distributions on a winding up.

33 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. The carrying value of the Association's financial assets and liabilities are summarised by category below:

Financial assets measured at undiscounted amount receivable

Short term debtors with no stated interest rate receivable within one year are recorded at transaction price; any changes are recognised in the statement of comprehensive income.

Where loans are made or received between a public benefit entity within the Group at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity, these loans are treated as concessionary loans and are recognised in the statement of financial position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£	£	**£**	£
Rent arrears (see note 24)	1,147	1,367	-	-
Trade debtors (see note 24)	516	813	50	37
Inter-company debtors (see note 24)	-	-	856	930
Cash and cash equivalents (see note 25)	20,595	18,390	4	5
	22,258	20,570	910	972

33 Financial instruments (continued)

Financial assets measured at amortised cost

Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred. If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Housing Finance Grant (see notes 23 and 24)	8,539	8,734	-	-
CoCo Debt (see note 23)	115	115	-	-
	8,654	8,849	-	-

Financial liabilities measured at undiscounted amount payable

Short term creditors with no stated interest rate receivable within one year are recorded at transaction price; any changes from impairment are recognised in the statement of comprehensive income.

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest on housing loans (see note 26)	869	915	-	-
Capital expenditure - properties for letting (see note 26)	468	935	-	-
Capital expenditure - replacement components (see note 26)	569	62	-	-
Capital retentions greater than 90 days (see note 26)	398	484	-	-
Trade creditors (see note 26)	2,063	1,863	18	-
Inter-company loan	-	-	5,000	5,000
Intercompany creditors (see note 26)	-	-	-	597
	4,367	4,259	5,018	5,597

Financial liabilities measured at amortised cost

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the statement of comprehensive income. Discounting is omitted where the effect of discounting is immaterial. A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Housing loans (see note 26 and 27)	137,639	136,523	-	-

33 Financial instruments (continued)

Interest income and expense

The Group's income and expense in respect of financial instruments are summarised below:

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest receivable	55	203	-	-
Interest and financing costs	(5,627)	(5,624)	-	-
	(5,572)	(5,421)	-	-

34 Capital commitments

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Expenditure contracted less certified	6,573	5,794	-	-
Expenditure authorised by the Board but not contracted	54,870	40,118	-	-
	61,443	45,912	-	-

The Board expects that any expenditure it has authorised will be fully financed by grants, mortgage, loans and reserves.

35 Contingent liabilities

Hendre Limited nor the subsidiaries are aware of any contingent liabilities at the end of the year.

36 Operating leases

At 31 December 2020 the Group had total commitments under operating leases in respect of leased properties, office premises, equipment and vehicles as follows:

	Group		Hendre Limited	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
		Restated		
Payments due:				
No later than one year	1,831	1,652	-	-
Later than one year and not later than 5 years	7,115	6,481	-	-
Over 5 years	9,402	10,690	-	-
	18,348	18,823	-	-

The majority of the above commitments are in respect of properties managed by Hafod Housing Association Limited under lease from The Welsh Housing Partnership and WHP2

37 Related party transactions

Transactions between members of the Hendre Group are set out in the tables below.

Services provided by:	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	435	-	-	-
	Hafod Housing Association Limited	-	-	-	-	-
Non-registered	Hafod Resources Limited	-	-	-	-	-
	Foundation Housing Tai Sylfaen	-	-	-	-	-
	Yellow Wales	-	-	-	-	-

Hendre Limited provides a landlord and facilities function to Hafod Housing Association Limited. These costs are recharged in full as at 31 December 2020.

Debtor / (creditor) balances:	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	(4,144)	-	-	-
	Hafod Housing Association Limited	4,144	-	(94)	-	(3)
Non-registered	Hafod Resources Limited	-	94	-	-	-
	Foundation Housing Tai Sylfaen	-	-	-	-	-
	Yellow Wales	-	3	-	-	-

As at 31 December 2020, Hendre Limited has a public entity concessionary loan with Hafod Housing Association Limited (£5.0m).

The Group's treasury management risks are managed under the umbrella of the Group's Treasury Management policy. Under the Group's policy, surplus cash generated by members of the Group is pooled within Hafod Housing Association Limited and placed on deposit with approved counter-parties.

None of the current senior executives or Board Members of Hendre Limited or its subsidiaries had any related party transactions with the Group during the year which require disclosure. Details are given in respect of previous senior executives or Board members.

37 Related party transactions (continued)

The following individuals who served on the Boards of either the parent or its subsidiaries were also tenants or leaseholders of the subsidiaries:

		Hafod Resources Limited	Hafod Housing Association Limited
Mr G Robinson (to June 2020)	Tenant - Hafod Housing		✓

The tenancy of this Board/sub-committee Member was on normal commercial terms and their position as a Member did not confer any advantage on this individual as tenant. During the year the Association received £2,990 in rent and service charge. (2019: £9,616).

38 Other finance cost

	2020 £'000	2019 £'000
Return on pension scheme assets	181	223
Interest on pension scheme liabilities	(188)	(245)
	(7)	(22)

39 Pension scheme

a) Greater Gwent (Torfaen) Pension Fund

On 1 August 2002 Hafod Care Association Limited acquired, from Torfaen County Borough Council, five residential homes for the elderly. Staff employed at these homes were transferred to the employment of Hafod Care Association Limited under Transfer of Undertakings (Protection of Employment) regulations. Prior to transfer, employees at these homes had been eligible to participate in the Local Government Pension Scheme; a defined benefit scheme. From the date of transfer the Administering Authority (Torfaen CBC) and the Transferee Admission Body (Hafod Care Association Limited) entered into an agreement to enable eligible employees to continue to be members of the Scheme and participate in the Pension Fund. On 31 July 2019, as part of the transfer of engagements from Hafod Care Association Limited to Hafod Housing Association Limited the pension fund including eligible employees transferred to Hafod Housing Association Limited.

In respect of employees who are members of Torfaen Local Government Pension Scheme, the Association operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Association. Pension scheme assets are measured using market values (in respect of quoted securities this is current bid price). Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of comprehensive income.

The latest full actuarial valuation was carried out at 31 March 2019. For the purposes of these Financial Statements the valuation was updated, by a qualified independent actuary, to comply with Section 28 (Employee Benefits) of FRS 102. In order to reflect the volatile economic climate caused by Covid-19, the most up to date available data was used in the valuation.

Notes to the financial statements
Year ended 31 December 2020

39 Pension scheme (continued)

The contribution rate payable by the Association for all its employees in the scheme for 2020 was 29.6% (2019: 27%). Contributions paid during the year were £51,826 (2019: £59,431), no costs were paid in respect of early retirement benefits (2019: nil). The company expects to contribute approximately £53,000 to the scheme in the next financial year.

The main assumptions used in this valuation were:

	2020	2019
	%	%
Rate of increase in salaries	2.8	2.7
Rate of increase of pensions in payment and deferred pensions	2.5	2.3
Discount rate applied to scheme liabilities	1.3	2.0

Mortality assumptions:
The following standard mortality tables were used in the evaluation:

Post retirement mortality assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and females.

Life expectancy (at the end of the year)

- of a male (female) future pensioner aged 65 in 20 years time	21.6 (24.6) years
- of a male (female) current pensioner aged 65	20.6 (22.9) years

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets/(liabilities)

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31-Dec-20 £'000	Value at 31-Dec-19 £'000
Equities	7,412	7,210
Government bonds	1,900	1,734
Property	190	183
Cash (including others)	-	-
Total market value of assets	9,502	9,127
Present value of scheme liabilities	(10,247)	(9,459)
Net pension liability	(745)	(332)

Movement in surplus for the year

	2020 £'000	2019 £'000
Deficit at the beginning of year	(332)	(795)
Current service cost	(75)	(88)
Past service cost	-	(27)
Contributions paid	52	59
Other finance cost	(7)	(22)
Actuarial (loss)/gain	(383)	541
Deficit at the end of year	(745)	(332)

39 Pension scheme (continued)

Movement in plan assets for the year

	2020 £'000	2019 £'000
Assets at the beginning of year	9,127	8,024
Return on assets	181	223
Actuarial gain	386	1,025
Employer contributions	52	59
Employee contributions	11	13
Benefits paid	(255)	(217)
Assets at the end of year	9,502	9,127

Movement in plan liabilities for the year

	2020 £'000	2019 £'000
Liabilities at the beginning of year	9,459	8,819
Service cost	75	115
Interest cost	188	245
Employee contributions	11	13
Actuarial loss	769	484
Benefits paid	(255)	(217)
Liabilities at the end of year	10,247	9,459

Analysis of other pension costs charged in arriving at operating surplus

	2020 £'000	2019 £'000
Current service cost	(75)	(88)
Past service cost	-	(27)
Total service cost	(75)	(115)

Analysis of amounts included in other finance income

	2020 £'000	2019 £'000
Return on pension scheme assets	181	223
Interest on pension scheme liabilities	(188)	(245)
	(7)	(22)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2020 £'000	2019 £'000
Actuarial gain on scheme assets	386	1,025
Actuarial loss on scheme liabilities	(769)	(484)
Actuarial (loss)/gain recognised in the statement of comprehensive income	(383)	541

39 Pension scheme (continued)

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 December 2020	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	8%	832
0.5% increase in the salary increase rate	0%	21
0.5% increase in the pension increase rate	8%	795

b) Other pension arrangements

Staff employed by the Group (except those staff participating in the Torfaen Local Government Pension Scheme) have the option to participate either in the group defined contribution scheme with Scottish Widows Fund and Life Assurance Society, a group personal pension plan with AEGON or are offered a stakeholder pension scheme with The Standard Life Assurance Company. Staff who do not opt to enrol into the pension scheme offered under their contract of employment are auto-enrolled into the National Employment Savings Trust (NEST). The costs of these schemes are written off to the statement of comprehensive income on an accruals basis. The assets of these schemes are held separately from those of the Group in an independently administered fund.

40 Subsidiary undertakings

At the year end the following were the subsidiaries of Hendre Limited. All are wholly owned, have share capital comprising non-equity shares (except for Hafod Resources Limited which has only ordinary shares) and are incorporated in Great Britain and registered in England and Wales.

Company name	Nature of activity
Hafod Housing Association Limited	Provision of housing, support and care
Foundation Housing Tai Sylfaen Limited	Provision of emergency housing and support (not active)
Hafod Resources Limited	General commercial
Yellow Wales	Provision of training and support to young vulnerable adults

Registered as a charitable Housing Association under
the Co-operative and Community Benefit Societies
Act 2014 No. 29386R

Registered with the Welsh Government No. L132

Hendre