



MOAT HOUSING GROUP LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2023**

**Registered under the Co-operative and Community Benefit Societies Act 2014
No. 27943R**

Registered under Section 5 of the Housing Associations Act 1985 No. L4047

MOAT HOUSING GROUP LIMITED

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MOAT HOUSING GROUP LIMITED

BOARD

		Number of meetings attended (4 in total)
David Brocklebank	Independent, Chair	4
Tim Boag	Independent	3
Gerard McCormack	Independent	3
Steve White	Independent	4
Elizabeth Austerberry (resigned April 2022)	Executive	-
Mary Gibbons (appointed April 2022)	Executive	4
Steve Nunn	Executive	4
Greg Taylor (resigned October 2022)	Executive	1
Gloria Yang (appointed April 2023)	Executive	-

SECRETARY

Sara Thomson (appointed April 2023)
Puneet Rajput (resigned April 2023)

AUDIT COMMITTEE

		Number of meetings attended (4 in total)
Gerard McCormack	Chair	4
Jeremy Ellis		3
Mark Foster		4

FINANCE COMMITTEE

		Number of meetings attended (5 in total)
Tim Boag	Chair	5
David Brocklebank		5
Gerard McCormack		4
Greg Taylor (resigned October 2022)		2
Gloria Yang (appointed April 2023)		-

CUSTOMER & COMMUNITIES COMMITTEE

		Number of meetings attended (4 in total)
Jo Moran	Chair	4
Jeremy Ellis		4
Mark Foster		4
Caroline Ross		3
Steve Nunn		4

REMUNERATION & NOMINATIONS COMMITTEE

		Number of meetings attended (3 in total)
Mark Foster	Chair	3
Jo Moran		3
Caroline Ross		3
Steve White		3

REGISTERED OFFICE

Mariner House, Galleon Boulevard, Crossways, Dartford, Kent DA2 6QE

REGISTERED AUDITOR

BDO LLP, 55 Baker Street, London W1U 7EU

BANKER

Royal Bank of Scotland Plc, Europa House, 49 Sandgate Road, Folkestone, Kent CT20 1RU

LEGAL STATUS

Registered under the Co-operative and Community Benefits Societies Act 2014 No. 27943R

Registered under Section 5 of the Housing Associations Act 1985 No. L4047

MOAT HOUSING GROUP LIMITED

STRATEGIC AND DIRECTORS' REPORT

for the year ended 31 March 2023

The Directors present the report and financial statements for Moat Housing Group Limited (MHG) for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

MHG is a non-charitable registered provider regulated by the Regulator of Social Housing (RSH). It is a subsidiary of Moat Homes Limited (MHL) and operates as part of the Moat Group (Moat).

Its primary activities are the construction and sale of homes on the open market. It also has a small portfolio of three social rented houses.

MHG's subsidiaries, Mariner Facilities Management Limited and Moat Development Limited are dormant.

OPERATING REVIEW

The year has seen activity at four schemes:

- All Saints – the last home was sold in May 2022 at a margin of 14.2%. The need for remedial work, estimated to cost £1m, has been identified and a provision to cover this cost has been included.
- Raley's Gym – the two remaining homes are rented while looking for opportunities to sell.
- Littlebourne – this is a phased development of 61 homes. 5 homes were available for sale at the beginning of the year and a further 26 handed over in the year. 29 sales completed at a margin of 12%, leaving 2 homes available for sale. The final 2 homes handed over in April 2023, and all 4 were sold in April 2023.
- Froggnal Lane – land has been purchased for a development of 200 open market sales in partnership with Chartway. Development is phased with handovers from late 2024 to 2027.

Overall, 30 homes were sold (2022: 46 sales) with 4 homes available for sale at 31 March 2023 (8 at 31 March 2022).

MHG's focus going forward continues to be to develop open market sale properties, either independently or working with other developers. The development will be funded by reserves, sales proceeds, and the £50m unsecured revolving credit facility with MHL which expires 30 September 2026.

The Board has stated their intention to make a gift aid payment to MHL within nine months of the year end and therefore the associated tax relief has been accrued.

MARKET REVIEW

The on-going concerns of high inflation and skilled labour and material shortages are being monitored closely for their possible impact on increased costs and delays in development. The high cost of living may also reduce disposable income and therefore may impact on the demand.

FINANCIAL REVIEW

- There was an overall surplus of £0.9m (2022: £4.3m).
- Within operating surplus of £1.1m (2022: £5.0m):
 - 30 property sales made a surplus of £1.0m (2022: £4.5m). This includes the provision of £1.0m additional costs to cover remedial works at All Saints
 - a surplus of £8k on social housing lettings (2022: £12k)
 - 2 Firstbuy loans remain which earn interest of £1k (2022: £1k)
 - administrative costs of £43k (2022: £37k), covering audit and tax fees.
- £0.2m (2022: £0.7m) of interest costs were recognised during the year. These costs arose on borrowings required to meet development costs and are treated as an expense when they become due and not as cost of sale when properties are sold.
- At 31 March 2023, MHG had revenue reserves of £14.6m (2022: £13.7m).

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

TREASURY REVIEW

The Finance Committee reviews Moat's Treasury Policy annually.

Borrowings at 31 March 2023 were £7.2m (2022: £0.8m), under the £50m unsecured revolving credit intercompany facility from MHL. The facility expires on 30 September 2026. At 31 March 2023 £42.8m was undrawn.

Interest payable on the intercompany loan is in line with current market rates for development finance.

VALUE FOR MONEY (VfM)

We are committed to making the best use of resources in all of our operations to ensure that the maximum value is achieved for our residents and communities. To achieve this, Value for Money (VfM) is not just focused on cost but also on the quality of our services.

Moat's VfM strategy, which applies to MHG, brings together a number of supporting strategies to ensure a coherent and co-ordinated approach with VfM a key strand across the full range of its business activities, including:

- **Strategic planning** – sets out Moat's strategic ambition and how it can best be achieved.
- **Monthly key performance indicators** - monitor performance against targets, enabling effective decision making.
- **Budget and long-term plan** – to establish financial risk appetite and ensure sufficient resources to achieve strategic objectives.
- **Investment appraisals** - the Capital Projects Committee and the Board approve and monitor all development activities.
- **Asset management** – there is a 30-year plan for works to maintain the quality of existing homes.
- **Procurement** - when tendering for large contracts, the procurement team assists the business in securing improved VfM while protecting the quality of services, maintaining compliance with legislation, and incorporating the delivery of social value and community benefits.
- **Change management** – programme management and processes are in place for on-going improvements, e.g. digital and system developments, structure changes.
- **Social value** – the social value impact, as well as financial, is considered in decision making.

MHG provides a minimal amount of social housing, with only 3 social rented properties, and is not currently developing new social homes as this activity is carried out by MHL.

	Actual 2022-23	Target 2022-23	Actual 2021-22
VfM metrics			
Operating margin (social housing lettings only) %	36%	50%	57%
Headline social housing cost per unit (HSHC) £	£2,524	£1,000	£732

The reduction in operating margin on social housing lettings to 36% reflects higher repairs and service charge costs and is similar to the rest of Moat which has a margin of 35%.

The headline social housing cost per unit is higher than 2022/23. The increased spend reflects the new Moat repairs contract which is designed to bring benefits including more repairs completed in one visit.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

STATEMENT OF GOING CONCERN

There is only one current scheme approved by the Board, Frogmal Lane, with development and handovers phased until 2027/28. With no sales expected until 2025/26, MHG is forecast to make small losses as interest is expensed during the development period. With a gross sales margin of 14% forecast, MHG shows a surplus on the scheme once sales commence. MHG's current reserves of £14.6m are sufficient to cover the forecast losses and the impact of a potential 30% fall in sales values.

Development costs are funded by a £50m intercompany facility from MHL which is in place until 30 September 2026. MHL's 30 year long-term financial plan assumes continued support to MHG by extending the £50m facility to future years.

The Board has concluded that there is a reasonable expectation that MHG has adequate resources to continue in operational existence for more than 12 months from the date of these accounts. It therefore continues to adopt the going concern basis in the financial statements.

VIABILITY STATEMENT

The UK Corporate Governance Code requires the Board to undertake an assessment of the future prospects of MHG taking account of the current position and the principal risks facing the business. This assessment was made by the Board using core business processes, which include:

- **Long Term Plan (LTP)** – the Board reviews the LTP each year as part of its strategy review process. The 30-year long-term financial plan builds on the budget as the base year and includes detailed stress testing and recovery planning. Stress tests included testing the sensitivity of the plan to inflation, interest rates, sales values, sales rates and impairment, and scenarios combining these elements to simulate market disruption that could be caused by adverse economic events. If there is a stress event at any point, MHG can switch off any future development plans. There is also an option to market rent some of the homes for a period until the market improves. MHG's plan passes its stress tests and complies with its "Golden Rules" of a net development cap of £50m and an intercompany borrowing cap of £50m.
- **Risk management** – as described within the Risks section of this Strategic Report, Moat has a structured approach to the management of risk and the principal risks identified are reviewed regularly by Moat.
- **Liquidity** – the Board reviews forecast working capital requirements, cash flow, committed borrowing, and available facilities. The £50m facility from MHL is sufficient to cover MHG's development plans.

In undertaking this review the Board have used a three-year horizon. Whilst development spend and required facilities is planned over a longer period than three years, the selected period ensures that MHG is viable beyond its usual development commitment timeframe allowing time to take corrective action if needed.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that MHG will be able to continue in operation and meet its liabilities as they fall due over the three-year period used for the assessment.

POST YEAR END EVENTS

There have been no events post 31 March 2023 which require disclosure.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

GOVERNANCE

The Board is MHG's governing body and is made up of:

- Four independent Non-Executive Directors, appointed through a competitive process supported by an external recruitment agency; and
- the Chief Executive and two Executive Directors.

David Brocklebank

Independent Chair

David joined Moat's Board in January 2021. He is Executive Managing Director of the Development Group at Wates Developments Group. Previous directorships have been with the Berkeley Group and David Wilson Homes. He sits on the Boards of a number of development project companies, is a founding Board member of the Land Promoters and Developers Federation and has sat on the Advisory Committee of the MSc in Sustainable Development at Oxford University.

Tim Boag

Independent Director

Tim joined Moat's Board in December 2017. Currently he is Group MD of Business Finance at Aldermore Bank and has had an extensive career with RBS/ NatWest corporate banking, commercial banking, finance and risk across a wide range of industry sectors. He has also been a Director of the Business Growth Fund and is co-opted to the Audit and Risk Committee of a Welsh Rugby Club.

Gerald McCormack

Independent Director

Gerry joined Moat's Board in February 2015. He was an Independent Director and Chair of Audit and Risk at Thames Valley Housing for 12 years. He has been Group Finance Director of a number of substantial housebuilding and construction companies. He also serves on the Board of a not-for-profit regulatory body as Audit Committee Chair and is Chair of an independent girls' school.

Steve White

Independent Director

Steve joined Moat's Board in July 2016, becoming Chair of MHL in May 2018. He has specialised in leading organisations through large transformational change, including a period as Chief Executive of the Hyde Group. Steve has also been the Chair of Origin Housing. Interim executive roles have included The Law Society, University of Southampton, Solicitors Regulation Authority, RBS, and T-Mobile. Steve is currently a Trustee at BLESMA, a military charity for limbless veterans and a Board Member at Orwell Homes.

Mary Gibbons

Chief Executive

Mary joined Moat as Chief Executive in April 2022, having spent the previous 30 years in social housing. Working with Moat's Executive Team and Board, she ensures Moat continues to provide customer-focused services and the right homes in the right places. Her experience includes working in hostels for the homeless early in her career to CEO at Hundred House Society, Executive Director at Swan Housing Association, Chair of BuildEast and Chief Executive of CHP. She is currently a Non-Executive Director at HACT and an Advisory Board Member at Essex Business School.

Steve Nunn

Executive Director of Development and New Business

Steve was appointed in April 2009. Having worked in the housing sector since 1989, he has a wide range of experience in housing management, operations, property services, asset management, shared ownership, estate and social regeneration and development. Prior to joining Moat, Steve spent 18 years at the London and Quadrant Group where his last role was Managing Director of the home ownership specialist, Tower Homes. Steve is currently a board member of B3 Living and Chair of their Development Committee.

Gloria Yang

Executive Director of Finance

Gloria was appointed in April 2023 to lead on developing and maintaining the financial well-being of Moat and getting to know our customers, people, and partners in order to create and maximise investment opportunities in our communities. Her career spans executive finance roles at several housing associations, most recently at Origin Housing Group as Deputy CEO. She is currently a member of the Credit Committee at MORhomes PLC and Chair of the Audit and Risk Committee for Phoenix Community Housing and is a Fellow member of ACCA.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

GOVERNANCE (continued)

The Board is responsible for setting MHG's strategic direction and oversees the performance of MHG and the work of the Executive Team. As part of the Regulator of Social Housing's (RSH) co-regulatory approach, the Board is also responsible for ensuring that MHG uses its resources effectively and complies with its regulatory requirements.

The Board has delegated some of its functions and detailed work on assurance to Moat's Committees and delegated the delivery of the strategy and operations to the Chief Executive. The Committees each have a group wide remit with clear terms of reference. Full reports on the work of the Audit Committee and the Remuneration and Nominations Committee can be found from page 14.

- **Audit Committee**
The Audit Committee reviews the effectiveness of Moat's internal control and risk management environment and oversees the appointment of the internal and external auditors.
- **Finance Committee**
The Finance Committee oversees Moat's financial performance and provides detailed assurance on the Long-Term Plan to Moat.
- **Customer and Communities Committee**
The Customer and Communities Committee provides assurance on landlord responsibilities and customer service provision. It also advises on customer engagement.
- **Remuneration and Nominations Committee**
The Remuneration and Nominations Committee sets and reviews non-executive and executive pay, oversees the appointment process for independent directors and makes recommendations for appointment to the Board. It also keeps governance arrangements under review.

The membership of the Committees is shown on page 3.

Code of Governance

In line with good governance and the requirements of the regulatory standards, the Board has adopted the UK Corporate Governance Code. Compliance with the code is regularly reviewed and the following areas have been identified as not applicable to MHG as a registered provider and Registered Society under the Co-operative and Community Benefit Societies Act 2014:

Code Principle/Provision	Explanation
Principle D, provision 3 - regular engagement with major shareholders	MHG has no major shareholders. All shareholders have an equal, nominal share of £1.
Principle D, provision 4 – consultation with shareholders following 20% or more votes cast against the Board	All shareholders have an equal, nominal, non-beneficial share of £1.
Principle D, provision 5 – report on stakeholder interests and the matters set out in s172 of the Companies Act 2006	Companies Act 2006 does not apply. Moat engages with its workforce through an Employee Forum, led by the workforce and attended by the Chief Executive and Executive Director: People, Communications and Organisational Change.
Principle K, provision 18 - all Directors should be subject to annual re-election	Independent Non-Executive Directors are reappointed up to a maximum of nine years in line with NHF model rules. The first two appointments are for three-year terms, followed by annual review as part of the succession planning process.
Principle Q, provision 36 - Remuneration schemes should promote long-term shareholdings by Executive Directors	MHG does not have shareholdings by Executive Directors.

The Board can confirm that MHG is compliant with the remaining provisions of the Code in as far as they can be reasonably applied to a Registered Provider and Registered Society.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

GOVERNANCE (continued)

Governance review

In line with good governance and best practice, an external review of governance arrangements is carried out every three years. The Board undertook its annual internal effectiveness assessment in 2023 supported by an independent review by Campbell Tickell. Overall, the results support the view that the Board continues to be effective and performs well in its role and in discharging its responsibilities.

Regulatory Compliance

- **Regulator of Social Housing (RSH)**
Registered providers of social housing have a duty to comply with the regulatory regime set out by the RSH. MHG, alongside MHL, retained a governance and viability rating at the end of the 2022/23 financial year of G1/V1.

An annual assessment of compliance with the regulatory standards is undertaken and Moat was fully compliant in all material respects during the year and up to the date of signing.

- **Financial Conduct Authority (FCA)**
In order to deliver some services, such as referring customers to our panel of mortgage advisors and managing historic equity loans, MHG is authorised by the FCA. In compliance with the Senior Managers and Certification Regime Moat can confirm that the required arrangements were in place as at the annual deadline in December 2022.

Stakeholders

Open, transparent, and collaborative relationships with the Regulator, development partners and suppliers play an important part in helping us to achieve our strategic goals.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

RISKS

Moat recognises the importance of operating an effective risk management policy and framework and is committed to managing risk effectively. Risk management forms a key component of Moat's corporate governance and assurance framework, supporting and enabling how strategic objectives are achieved within all current regulatory and statutory requirements.

The Board has overall responsibility for ensuring the business has appropriate systems and controls in place to identify, manage and monitor risk, to agree the nature and extent of the risks that Moat is willing and able to take as a business and in setting risk appetite. The Board receives regular reporting on risk, control and assurance activity and considers the risk horizon risk environment.

The Board's risk appetite is reviewed annually or more frequently if needed and sets out its attitude toward risk and reward. Moat maintains a balanced appetite towards financial risk, operating within a framework, with clear 'Golden Rules', considering opportunities, and managing threats that may impact on financial viability, and in maintaining appropriate investment in existing and future homes.

The Audit Committee has delegated authority from the Board to ensure that the correct implementation of the risk management framework and effective operation of processes and controls is in place. It provides assurance to the Board on the adequacy and effectiveness of the systems of governance, risk management and internal control.

The senior executive and leadership team are responsible for the delivery of strategy, operational performance and managing risks, leading an open and transparent risk management culture. Risk management is considered in our corporate activity, through implementation of our strategy and business plans, financial planning, stress testing, major projects, operational delivery and third-party management. All colleagues, in line with our risk policies and framework, are expected to identify and manage internal and external risks facing the business and to minimise the impact of such risks.

The internal audit function undertakes a comprehensive annual plan of reviews and control testing activity. It provides independent, objective assurance on the effectiveness of risk management, business systems and controls. Moat also receives additional assurance from other independent sources across a range of matters and business activity, such as the in house health and safety assurance function, appropriate subject matter experts, specialist technical reviews and legal advice.

Strategic Risks

Key strategic risks are noted below together with mitigating actions:

Risk context	Mitigations and controls
Outright sales programme impacted by economic environment factors: market downturn, cost/availability of mortgages and customer affordability	<ul style="list-style-type: none"> • Conservative approach to valuations in investment appraisals • VFM and deliverability tests on build costs for new projects • Values on new schemes scrutinised • All outright sale projects require approval of MHG Board • Tracking UK interest rates, forecasts and UK mortgage approvals • Monitoring of third parties and contractors
External economic and political factors (e.g., inflation, interest rates) hinder ability to achieve strategic objectives and remain viable in the long term	<ul style="list-style-type: none"> • Financial planning uses prudent economic assumptions • Wide set of Board approved stress tests and sensitivity analysis highlighting the most impactful assumption movements and ensuring mitigation plans remain practical in an adverse situation • Contractor viability checks and monitoring
Homes do not remain safe or fit for our customers to live in. Health and safety for customers and colleagues does not meet internal standards and legislative requirements	<ul style="list-style-type: none"> • A well-established health and safety policy, governance and compliance framework • Independent health and safety oversight function • Mandatory training provision and personal safety device • Monitoring of supply chain and delivery partners • Technical, third-party advisory and assurance programme
Cyber security breach	<ul style="list-style-type: none"> • Dedicated resources allocated • Disaster Recovery and BCP planning • Regular penetration testing and security simulations

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

STATEMENT OF EFFECTIVENESS OF INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining the whole system of internal control for MHG, and for reviewing its effectiveness and management of fraud risk. The Board's responsibility extends over matters covering strategic, operational, financial, and compliance issues. The Board delegates the review of the effectiveness of the organisation's internal control and risk management environment to the Audit Committee, receiving an annual report.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, giving reasonable, but not absolute, assurance against material misstatement or loss. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of Moat's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls in line with the Risk Strategy and Management Framework, which is reviewed annually by the Audit Committee.

The control environment is embedded within the normal management and governance process. The review process covering strategic and operational risks is discussed in the risks section of this report. There are also clear lines of authority, responsibility and accountability throughout Moat including:

- a Code of Conduct for Employees
- Terms of reference for the Board and Committees
- a framework of policies and procedures which cover fraud prevention and detection, whistle-blowing, health and safety, data and asset protection, financial delegated authorities, segregation of duties, accounting, and treasury management
- key performance indicators, operational and financial, are monitored by Committees and the Board.

The Board continues to believe that outsourced provision of the internal audit function best supports an independent and detailed review of key procedures and controls across the business. The Audit Committee oversees the appointment of the internal auditors and agrees the annual audit plan, which is risk based, in advance. The internal auditors present their reports at each Committee meeting.

The Board have reviewed the system of internal controls for the year ended 31 March 2023 and have received sufficient assurance on the adequacy of controls in the year under review. There has been no major breach within the year and up to the date of signing the financial statements that requires disclosure.

EMPLOYEES

MHG has no employees (2022: no employees).

HEALTH AND SAFETY

Moat's Health and Safety Policy Statement, detailed Health and Safety Management Policy and Procedures set out its intentions for the health, safety and welfare of employees, customers and others affected by Moat's operations. The Health and Safety Committee meets regularly and a detailed report is presented at each Audit Committee and annually to the Board.

SLAVERY AND HUMAN TRAFFICKING

MHG is fully committed to combatting slavery and human trafficking. As part of Moat's initiative to identify and mitigate risk during procurement it has implemented and enforces effective systems and controls. Moat's Slavery and Human Trafficking Statement can be found online at www.moat.co.uk.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Directors to prepare financial statements for each financial year. Under those regulations the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Directors must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of MHG and of the surplus or deficit for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and accounting 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, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that MHG will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of MHG and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2022. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of MHG and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Moat's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that they consider that the Directors' Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess MHG's performance, business model and strategy.

The Directors confirm that the Strategic Report follows the principles set out in the Statement of Recommended Practice, Accounting by Registered Social Housing Providers Update 2018 (SORP).

The Directors confirm that they have assessed compliance with the Regulator of Social Housing's Governance and Financial Viability Standard at least once in the year and that MHG is compliant.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

Approved by the Board and signed on its behalf by:



David Brocklebank, Chair
26 July 2023

MOAT HOUSING GROUP LIMITED

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2023

Role

The Audit Committee (the Committee) reviews the effectiveness of Moat's internal control and risk management environment and oversees the appointment of the internal and external auditors.

The Board has delegated this responsibility to the Committee to ensure that these matters can receive the detailed oversight and challenge they require. The Committee operates in line with its terms of reference which are reviewed annually to ensure they remain fit for purpose and reflect best practice.

The Committee provides assurance to the Board on Moat's arrangements for risk management and internal control having itself been assured through:

- the work of the Executive Team and Senior Management as set out by the cycle of business
- considering regular reports on risk management and internal control
- conducting an annual review of the risk management framework
- directing the work of the internal and external auditors and reviewing the findings and recommendations from their work.

Composition

The membership of the Committee is made up of three independent Non-Executive Directors, one of whom is the Chair. Details of Committee members and their attendance are on page 3.

Committee evaluation

The Committee conducts an annual evaluation of its own effectiveness and makes a report to the Board. This includes a:

- survey of the committee members on various aspects of the Committee's work
- narrative report of how the Committee has met its terms of reference
- summary of the Committee's future focus and development needs.

The Committee undertook its effectiveness survey in May 2023. This was completed by all members of the Committee. Overall, the results demonstrated that the Committee is performing well and is effective at undertaking its role and fulfilling its remit.

2022/23 work programme

The Committee met four times during the financial year.

Throughout the year the Committee maintained a programme of scrutiny and review of key strategic and operational risk, controls and mitigations, core policies, procedures and oversight of external returns.

During the period, the Committee considered the annual review of the risk management framework, including developing further the Board risk appetite, qualitative statements and tolerance measures and agreeing a new reporting format in alignment with Moat's new corporate strategy launched in April 2023. Areas covered at meetings were:

- **Assets and Liabilities Policy and Register**
Review of the policy and process for meeting the Governance and Viability Standard to maintain a thorough, accurate and up to date record of our assets and liabilities
- **Benefits and Payments Register**
Review of the register for individuals and organisations with links to Moat
- **Cyber security update**
Update on the external environment and our work to maintain safe and secure systems
- **Data Protection**
Report on any data protection issues and any work to improve/maintain compliance with legislation
- **Economic Standards**
Review of compliance with Regulator of Social Housing's economic standards
- **Environmental Sustainability and Governance Report (ESG)**
Review of ESG report in line with Sustainability Reporting Standard for Social Housing
- **External Audit and Financial Statements**
Review of the Audit Planning Report and Audit Completion Report. Approval of Financial Statements

MOAT HOUSING GROUP LIMITED

REPORT OF THE AUDIT COMMITTEE (continued)

for the year ended 31 March 2023

2022/23 work programme (continued)

- **Fraud, Whistleblowing and Money Laundering monitoring**
Report of any suspected fraudulent or money laundering activity. Report of any disclosures made under whistleblowing arrangements
- **Health and Safety report**
Report covering KPI performance for FLAGEL key risk areas, health and safety audit findings and other relevant management information
- **Insurance renewal**
Review of the terms of renewal and receiving assurance that adequate insurance is in place to protect the organisation's assets and activities
- **Internal Audit Report**
Review of each audit report, management responses and follow up of recommendations
- **Key policy reviews**
Review of policies central to managing key risks and controls, such as Risk Management Policy and Framework, Accounting Policies, Tax Strategy, Anti- Fraud, Tax Evasion, Bribery Policy and Whistleblowing Policy, Business Continuity Policy, Disaster Recovery Policy
- **Strategic Risk Register**
Review of the Strategic Risk Register
- **Work Programme**
Review of the Committee's rolling 12-month work programme

2023/24 work programme

Looking forward into 2023/24, alongside key cyclical matters the Committee will undertake a cycle of in depth reviews on key risk and control areas across all strategic priorities and receive deep dive presentations on areas such as transformation, data, third party contractors and procurement.

Internal Audit

During the year the Committee oversaw delivery of the internal audit plan by Beever and Struthers. No high risk findings were identified from the reviews carried out. A follow up independent review of landlord health and safety management was undertaken by Savills consultancy. It confirmed that implementation of actions highlighted in the 2022 review were complete, and that the level of internal assurance activities, quality of policies, procedures and oversight remain robust and appropriate. Landlord health and safety will continue to remain a key area of focus for the Committee.

External Audit

BDO LLP was appointed as External Auditor in 2016 and reappointed for the 2022/23 financial statements.

At the July 2023 meeting, the Committee reviewed the financial statements in discussion with management and BDO, as well as considering BDO's audit completion report.

BDO identified one key audit matter relating to MHG, that the recoverable amount of property developed for sale might be materially misstated. Impairment work carried out by management was outlined in a paper to the Committee and Note 2 on page 29 discusses the critical judgements used in carrying out the impairment review which resulted in no movement in net realisable value. The Committee considered the information provided by management and BDO and were satisfied that the net realisable value of property developed for sale was not materially misstated.

The work carried out by management to assess the appropriateness of adopting the going concern basis in preparing the financial statements was outlined in a paper to the Committee and this is summarised in the Going Concern Statement on pages 6 and 25.

Following a discussion with management and BDO who answered queries and challenges posed by the Committee, the Committee was satisfied that there are appropriate accounting policies in place and management have correctly applied these policies.

The Committee also reviewed a number of assurance reports, covering the work done to ensure compliance with the board assurances in the financial statements. The Committee was satisfied that these assurances could be given.

The Committee noted that BDO had not undertaken any non-audit services.

MOAT HOUSING GROUP LIMITED
REPORT OF THE AUDIT COMMITTEE (continued)
for the year ended 31 March 2023

Summary and Conclusion

Through the delivery of its work, in line with its terms of reference, the Committee has reviewed the sources of assurance available to it and the Board on the adequacy, extent and effectiveness of the internal systems of control and arrangements for risk management operated within the organisation. The Committee has concluded that adequate reviews of these controls and arrangements are in place and notes that they are designed to manage the risk to delivering business objectives and provide reasonable rather than absolute assurance against material misstatement or loss.

The Committee is satisfied that its own report and those of Internal and External Auditors have addressed the requirements of its terms of reference and that this is supported by sufficient evidence to provide reasonable assurance to the Board on the adequacy and operation of internal controls and the risk management framework.



Gerard McCormack
Audit Committee Chair
26 July 2023

MOAT HOUSING GROUP LIMITED

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

for the year ended 31 March 2023

Role

The Remuneration and Nominations Committee (the Committee):

- oversees the appointment and succession process for independent directors and makes recommendations for appointment to the Board and committees.
- ensures the appropriate skills, development and resources are in place for Board and committees' effectiveness and ongoing performance
- is responsible for considering Chief Executive's remuneration and recommendations, and determining executive remuneration
- considers proposals on colleague pay and reward, and ensures the adequacy of the pension arrangements for Moat
- reviews people and culture strategic plans and deliverables, and ensures that Moat's key governance framework, standing orders and delegations remain fit for purpose and applicable to all entities.

Composition

The membership of the Committee is made up of four independent Non-Executive Directors, one of whom is the Chair. Details of committee members and their attendance can be found on page 3.

Committee Evaluation

The Committee conducts an annual evaluation of its effectiveness and makes a report to the Board. This includes a survey of the committee members on various aspects of its work and on how the Committee has met its terms of reference. Overall, the results demonstrated that the Committee is performing well and is effective at undertaking its role and fulfilling its remit.

The Committee also receives reports on collective and individual appraisals and effectiveness of the Board and related committees and makes recommendations for any learning, development or governance actions arising.

2022/23 Work Programme

The Committee met three times during the year. The key areas of focus were:

- monitoring Moat's compliance with the UK Corporate Governance Code, sector regulatory standards and provisions required for FCA authorisations
- succession planning for Board members and determining the recruitment requirements and plan for the Chairs of the Audit Committee and the Customer and Communities and the Audit Committees
- considering colleague, executive and pay awards and remuneration, Board recruitment, remuneration and expenses policies, and receiving benchmarking reports to inform decisions and recommendations to the Board
- agreeing arrangements for an independent review of board effectiveness, in line with Moat's rules and standing orders
- appraising options for ongoing pension provisions
- agreeing annual objectives for the Executive Team and Chief Executive on recommendation from the Board chair
- considering and recommending to the Board the adoption of the NHF Code of Conduct.
- shaping Equality, Diversity and Inclusion strategy and plans, receiving and agreeing on key people and culture related reports on values and behaviours, and key elements of the new Moat strategy
- receiving reports and updates from the Employee Forum.

MOAT HOUSING GROUP LIMITED
REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE (continued)
for the year ended 31 March 2023

2023/24 work programme

Looking ahead to 2023/24, alongside key cyclical matters the Committee's work plan will:

- continue to focus on delivery of the Moat Board succession plan, concluding candidate selection and nominations to the Board for Audit Committee Chair and Customer and Communities Committee Chair, and making preparations for further board succession changes later in 2024
- oversee continual improvement plans for governance
- consider and recommend on equality, diversity and inclusion strategy and plans
- review and agree Gender and Ethnicity Pay Gap reports, analysis and any resultant plans
- have oversight of customer pioneer strategy led initiatives regarding customer centric cultural change and enrichment, making recommendations to Board on material matters
- receive proposals and make recommendations on a new pay and reward strategy for Moat colleagues.



Mark Foster
Remuneration and Nominations Committee Chair
26 July 2023

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MOAT HOUSING GROUP LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Moat Housing Group Limited ("the Association") for the year ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

In relation to the Association's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Board's statement in the financial statements about whether the Board considered it appropriate to adopt the going concern basis of accounting.

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

Other information

The board are responsible for the other information. The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic and Directors' report, Report of the Audit Committee and the Report of Governance and Nominations Committee and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MOAT HOUSING GROUP LIMITED (continued)

Corporate Governance statement

As the Association has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Board's statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Association's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Going concern and longer term viability	<ul style="list-style-type: none">• The Board's statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on pages 6.• The Board's explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 6.
Other Code provisions	<ul style="list-style-type: none">• Board's statement on fair, balanced and understandable as set out on page 12;• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 10; and• The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 11.• The section describing the work of the audit committee. As set out on pages 13 to 15, the Directors consider that it is impracticable to have a separate audit committee for the Company.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the directors' responsibilities statement set out on page 10, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the [board members] determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MOAT HOUSING GROUP LIMITED (continued)

Non-compliance with laws and regulations

Based on:

- our understanding of the Association and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the Association's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022

The Association is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law, Financial Conduct Authority ("FCA") regulations, the Regulator of Social Housing's Regulatory Standards, data protection and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Association's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance and internal audit reports for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates and inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties developed for sale.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MOAT HOUSING GROUP LIMITED (continued)

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

Use of our report

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

DocuSigned by:
BDO LLP
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BDO LLP
Statutory Auditor
Gatwick

14 August 2023

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

MOAT HOUSING GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Turnover	3	18,228	35,221
Operating costs	3	(79)	(80)
Cost of sales	3	<u>(17,092)</u>	<u>(30,185)</u>
Operating surplus	3	1,057	4,956
Interest receivable	5	38	-
Interest payable	6	<u>(227)</u>	<u>(690)</u>
Surplus before taxation	7	868	4,266
Taxation	8	-	-
		<u>868</u>	<u>4,266</u>
Surplus and total comprehensive income for the year		<u>868</u>	<u>4,266</u>

The notes on pages 25 to 37 form part of these financial statements.

All amounts relate to continuing activities.

MOAT HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2023

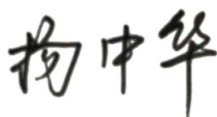
	Notes	2023 £000	2022 £000
Tangible fixed assets			
Housing properties	10	406	413
Investments			
Firstbuy loans		50	50
		<u>456</u>	<u>463</u>
Current Assets			
Housing stock for sale	12	21,481	14,964
Debtors	13	10	17
Cash at bank and in hand		1,196	479
		<u>22,687</u>	<u>15,460</u>
Creditors - amounts falling due within one year	14	<u>(1,204)</u>	<u>(1,237)</u>
Net current assets		<u>21,483</u>	<u>14,223</u>
Total assets less current liabilities		21,939	14,686
Creditors - amounts falling due after more than one year	15	<u>(7,385)</u>	<u>(1,000)</u>
Total net assets		<u>14,554</u>	<u>13,686</u>
Capital and reserves			
Called up share capital	19	-	-
Income and expenditure account		14,554	13,686
		<u>14,554</u>	<u>13,686</u>

The notes on pages 25 to 37 form part of these financial statements.


The financial statements were approved and authorised for issue by the Board on 26 July 2023 and signed on its behalf by



David Brocklebank
Chair



Gloria Yang
Director



Sara Thomson
Secretary

Registered Number: 27943R

MOAT HOUSING GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
as at 31 March 2023

	Income and expenditure account 2023 £000	Income and expenditure account 2022 £000
Balance at 1 April	13,686	9,420
Surplus for the year	<u>868</u>	<u>4,266</u>
Balance at 31 March	<u>14,554</u>	<u>13,686</u>

MOAT HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

MHG is a public benefit entity registered under the Co-operative and Community Benefit Societies Act 2014. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom, the Accounting Direction for Private Registered Providers of Social Housing 2022, the Statement of Recommended Practice for registered social housing providers 2018 (SORP), published by the National Housing Federation, and on the historic cost basis except for modification to a fair value basis for certain financial instruments.

The financial statements have been presented in pounds Sterling (£000).

Disclosure exemptions

Under FRS 102 the company has taken advantage of reduced disclosures for subsidiaries and has not prepared a statement of cash flows as its parent MHL consolidates MHG in its own financial statements.

Exemption from consolidation

MHG is exempt from the requirement to prepare consolidated accounts on the grounds that it is a wholly owned subsidiary of another undertaking and its parent undertaking includes MHG, and its subsidiaries, in its own published consolidated financial statements.

A summary of the principal accounting policies, which have been applied consistently, is set out below.

Going concern

There is only one current scheme approved by the Board, Frogmal Lane, with development and handovers phased until 2027/28. With no sales expected until 2025/26, MHG is forecast to make small losses as interest is expensed during the development period. With a gross sales margin of 14% forecast, MHG shows a surplus on the scheme once sales commence. MHG's current reserves of £14.6m are sufficient to cover the forecast losses and the impact of a potential 30% fall in sales values.

Development costs are funded by a £50m intercompany facility from MHL which is in place until 30 September 2026. MHL's 30 year long-term financial plan assumes continued support to MHG by extending the £50m facility to future years.

The Board has concluded that there is a reasonable expectation that MHG has adequate resources to continue in operational existence for more than 12 months from the date of these accounts. It therefore continues to adopt the going concern basis in the financial statements.

Housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment cost. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

The cost of housing properties for rent is split between land, structure and major components with a substantially different economic life.

Gains and losses on the disposal of housing property fixed assets are determined by comparing the proceeds with the carrying amount and are recognised within gain/loss on disposal of fixed assets in the statement of comprehensive income.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Housing properties - depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:

Structure	- 100 years
Kitchens	- 20 years
Bathrooms	- 30 years
Windows and doors	- 20 - 30 years
Heating	- 15 years
Electrical rewiring	- 40 years
Roofs	- 50 years

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if there is an indication of significant change since the last reporting date.

Impairment of housing properties

The carrying amounts of housing properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash flows from continuing use.

An impairment loss is recognised for the amount by which the assets carrying value exceeds its estimated recoverable amount and is recognised in operating costs in the statement of comprehensive income.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply and only to the extent that the assets carrying value does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Social Housing Grant (SHG)

SHG is recognised as deferred grant income and released through turnover over the life of the structure of housing properties in accordance with the accrual model. Grants relating to expenditure on tangible fixed assets are credited to turnover at the same rate as the depreciation on the assets to which the grant relates. The deferred element of the grants is included in creditors as deferred income.

On disposal of properties, all associated SHG is transferred to the recycled capital grant fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Firstbuy loans

Loans advanced under Firstbuy arrangements to people purchasing their own homes meet the definition of a public entity concessionary loan and are initially recognised as the amount paid to the purchaser. In subsequent years, to the extent the loan is deemed irrecoverable, an impairment loss is recognised in the surplus for the year.

In the event that the property is sold, MHG recovers the equivalent loaned percentage of the property value at the time of the sale. Any surplus generated by a repayment of a Firstbuy loan is included in turnover.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Housing stock for sale

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Interest incurred on borrowings relating to the development of open market sale properties is expensed as it is due.

Assessing net realisable value requires the use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal. At each reporting date, the housing stock for sale is assessed for impairment. If impairment is necessary the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is immediately recognised in the surplus for the year.

On disposal, sales proceeds are included in turnover and the cost of sales, including costs incurred in the development of the properties, marketing and other incidental costs, are included in operating costs.

Leasehold sinking funds

Charges made to leaseholders for future major repairs such as replacement windows, roofs and equipment within their estates are ring fenced for use on their properties/estates only. Such funds are disclosed on the statement of financial position as creditors.

Financial instruments

Financial assets and liabilities are recognised when MHG becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of MHG after deducting all of its liabilities.

Basic financial instruments

Debtors and creditors

Debtors and creditors with no stated interest rate and are receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses from impairment are recognised in other operating expenses.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Impairment of financial assets

Financial assets not carried at fair value are assessed for indicators of impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment losses are recognised in the surplus for the year.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the assets carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. When a subsequent event causes the amount of the impairment loss to decrease, the decrease is reversed through the surplus for the year.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Provisions for liabilities

Provisions are recognised when MHG has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised as the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

Turnover represents the following income streams which are measured at the fair value of the consideration received or receivable:

- Rent and service charge income receivable (net of void losses) are recognised on an accruals basis as they fall due.
- Social Housing Grant (SHG) is amortised to turnover over the useful economic life of the property to which the grant relates.
- Proceeds from open market sales are recognised on completion of the sale.

VAT

MHG is a member of the Moat VAT group. A large proportion of Moat's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from open market sales activity and from partially exempt activities is credited to the surplus for the year.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Gift aid payment

Gift aid payment is only recognised as a liability at the year end to the extent that it has been paid prior to the year end or there is a legal obligation to make a gift aid payment. The Board has stated their intention to make a gift aid payment to MHL within 9 months of the year end and therefore the associated tax relief has been accrued.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

2. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of MHG's accounting policies, described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Estimated useful lives

Fixed assets are depreciated over their estimated useful lives. The components into which housing properties are split and their associated estimated lives are considered to be the appropriate level based on knowledge of the repairs and maintenance programme carried out. The actual lives of individual components can however vary based on factors such as product life, wear and tear, maintenance programmes and environmental factors.

Housing stock for sale

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

The sales values of homes for sale, both available for sale and in construction, have been reviewed. Information from actual sales values achieved, mortgage valuations provided to potential residents, and discussions with developers and estate agents have been used to review current sales values.

Provision for works required on sold homes at All Saints

The provision to cover works to be carried out assumes that costs will not be recoverable from the developer following discussions with them. The cost is based on the current estimate from a contractor.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

2023				
	Turnover	Operating costs	Cost of sales	Operating surplus
	£000	£000	£000	£000
Social housing lettings	22	(14)	-	8
Non-social housing activities				
Leasehold	16	(9)	-	7
Equity loan interest receivable	1	-	-	1
Open market rent	126	(13)	-	113
Open market property sales	18,063	-	(17,092)	971
Movement in net realisable value of housing stock	-	-	-	-
Administrative costs	-	(43)	-	(43)
	<u>18,228</u>	<u>(79)</u>	<u>(17,092)</u>	<u>1,057</u>
2022				
	Turnover	Operating costs	Cost of sales	Operating deficit
	£000	£000	£000	£000
Social housing lettings	21	(9)	-	12
Non-social housing activities				
Leasehold	16	(14)	-	2
Equity loan interest receivable	1	-	-	1
Open market rent	117	(20)	-	97
Open market property sales	35,066	-	(30,613)	4,453
Movement in net realisable value of housing stock	-	-	428	428
Administrative costs	-	(37)	-	(37)
	<u>35,221</u>	<u>(80)</u>	<u>(30,185)</u>	<u>4,956</u>

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (continued)

Income and expenditure from social housing lettings

	2023	2022
	General	General
	needs	needs
	£000	£000
Turnover from social housing lettings		
Rents receivable	19	18
Service charge income	1	1
	<hr/>	<hr/>
Net rental income	20	19
Amortisation of Social Housing Grant	2	2
	<hr/>	<hr/>
Total turnover from social housing lettings	22	21
	<hr/>	<hr/>
Operating costs on social housing lettings		
Management	(3)	(2)
Service charge cost	(3)	-
Routine maintenance	(1)	-
Depreciation of housing properties	(7)	(7)
	<hr/>	<hr/>
Total operating costs on social housing lettings	(14)	(9)
	<hr/>	<hr/>
Operating surplus on social housing lettings	8	12
	<hr/>	<hr/>
Void losses	-	2
	<hr/>	<hr/>

4. DIRECTORS, EXECUTIVE TEAM AND EMPLOYEE INFORMATION

MHG Non-Executive Directors did not receive any remuneration for their services as board members from MHG (2022: £nil).

MHG does not have any employees (2022: no employees).

5. INTEREST RECEIVABLE

	2023	2022
	£000	£000
Intercompany interest receivable from MHL	38	-
	<hr/>	<hr/>

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

6. INTEREST PAYABLE

	2023	2022
	£000	£000
On bank loans and overdrafts	-	120
Interest payable to Group entities	227	570
	<u>227</u>	<u>690</u>

Interest costs are written off as incurred and not capitalised to housing stock for sale.

7. SURPLUS BEFORE TAXATION

	2023	2022
	£000	£000
This is stated after charging/(crediting):		
Depreciation of housing properties	7	7
Amortisation of government grant	(2)	(2)
Auditor's remuneration (excluding VAT)		
Audit of financial statements	33	23

8. TAXATION

	2023	2022
	£000	£000
Current tax:		
UK corporation tax	-	-
	<u>2023</u>	<u>2022</u>
	<u>£000</u>	<u>£000</u>
Surplus before tax	868	4,266
Current tax at 19% (2022: 19%)	165	811
Effects of:		
Brought forward losses utilised in the year	(5)	(816)
Gift aid payment to MHL	(161)	-
Non-taxable items	1	5
Total tax charge	<u>-</u>	<u>-</u>

The Board has proposed a gift aid payment of £846k (2022: nil) to be paid within nine months of the year end and the associated income tax relief has been accrued.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

9. NUMBER OF HOMES IN MANAGEMENT

	At 31 March 2023	At 31 March 2022
Social housing		
General needs	<u>3</u>	<u>3</u>
Non-social housing		
Leasehold properties	15	15
Firstbuy properties	2	2
Market rent	<u>2</u>	<u>2</u>
	<u>19</u>	<u>19</u>
Total	<u>22</u>	<u>22</u>

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Rented properties completed 2023 £000	Rented properties completed 2022 £000
Cost		
At 1 April and 31 March	<u>473</u>	<u>473</u>
Depreciation		
At 1 April	(60)	(53)
Charged in the year	<u>(7)</u>	<u>(7)</u>
At 31 March	<u>(67)</u>	<u>(60)</u>
Net book value at 31 March	<u>406</u>	<u>413</u>
Freehold properties at cost	<u>473</u>	<u>473</u>

11. INVESTMENT IN SUBSIDIARIES

	Registered number	Principal activity	Country of incorporation	% of ordinary shares held	Investment £
Moat Development Ltd	4657544	Dormant	England	100%	1
Mariner Facilities Management Ltd	6561610	Dormant	England	100%	100

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

12. HOUSING STOCK FOR SALE

Housing stock for sale represents the cost of land and buildings for homes for sale on the open market.

	2023	2022
	£000	£000
Open market sales		
In construction	18,810	11,766
Available for sale	2,671	3,198
	<u>21,481</u>	<u>14,964</u>
Housing stock for sale as at 1 April	14,964	38,854
Additions	23,609	6,295
Sales	(17,092)	(30,613)
Stock write back	-	428
	<u>21,481</u>	<u>14,964</u>
Housing stock for sale as at 31 March	<u>21,481</u>	<u>14,964</u>

13. DEBTORS

	2023	2022
	£000	£000
Due within one year		
Arrears of rent and service charges	7	5
Provision for bad and doubtful debts	(1)	(4)
	<u>6</u>	<u>1</u>
Other debtors	1	11
Prepayments and accrued income	3	5
	<u>10</u>	<u>17</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£000	£000
Trade creditors	22	7
Government Grant	2	-
Other creditors	10	24
Accruals	1,170	1,206
	<u>1,204</u>	<u>1,237</u>

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023	2022
	£000	£000
Amounts due to other Group regulated companies - loan	7,234	842
Government grant	130	134
Leasehold sinking funds	21	24
	<u>7,385</u>	<u>1,000</u>
Amounts repayable after five years are:		
Government grant	130	134
Leasehold sinking funds	21	24
	<u>151</u>	<u>158</u>

The unsecured loan from MHL is a revolving facility which expires on 30 September 2026. From 1 April 2023 interest is payable at 4.00% p.a. (2022: 3.35%) over UK Base Rate.

16. GOVERNMENT GRANT

	2023	2022
	£000	£000
Social Housing Grant	147	147
Cumulative amortisation of Social Housing Grant	(15)	(13)
	<u>132</u>	<u>134</u>

17. CAPITAL COMMITMENTS

	2023	2022
	£000	£000
Capital expenditure contracted for but not provided in the financial statements	<u>55,813</u>	<u>5,818</u>
Capital expenditure authorised but not yet contracted for	<u>-</u>	<u>-</u>

Capital commitments will be funded from reserves, borrowing from MHL and sale proceeds.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

18. FINANCIAL INSTRUMENTS

The carrying values of financial assets and liabilities are summarised by category below:

	2023	2022
	£000	£000
Financial assets		
Measured at historic cost:		
Trade and other debtors (<i>note 13</i>)	7	12
Cash and cash equivalents	<u>1,196</u>	<u>479</u>
	<u>1,203</u>	<u>491</u>
Financial liabilities		
Measured at amortised cost:		
Amounts due to group companies (<i>note 15</i>)	7,234	842
Measured at historic cost:		
Trade and other creditors (<i>notes 14, 15</i>)	<u>1,223</u>	<u>1,261</u>
	<u>8,457</u>	<u>2,103</u>

Amounts due to Moat Homes Limited are repayable at UK base rate plus 4.00% (2022: 3.35%).

	2023	2022
	£000	£000
Interest income and expense		
Total interest income for financial assets at amortised cost	38	-
Total interest expense for financial liabilities at amortised cost	<u>(227)</u>	<u>(690)</u>
	<u>(189)</u>	<u>(690)</u>

19. CALLED UP SHARE CAPITAL

	2023	2022
	£	£
Allotted, issued and fully paid £1 shares		
At 1 April	5	6
Cancelled during the year	-	(1)
Issued during the year	<u>-</u>	<u>-</u>
At 31 March	<u>5</u>	<u>5</u>

MHL and Non-Executive Directors each hold one £1 share in the Association. Executive Directors cannot be shareholders in accordance with MHG's Rules. These shares confer the right to vote at general meetings and are irredeemable, being cancelled on cessation of directorship. They do not confer a right to dividends or a provision for distribution on winding up.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2023

20. RELATED PARTY TRANSACTIONS

Key management personnel are Board members and the Executive Team. There were no related party transactions in 2022/23.

21. INTRA GROUP TRANSACTIONS WITH NON-REGULATED ENTITIES

There were no intra-group transactions with non-regulated entities during the year.

22. GROUP STRUCTURE

As at 31 March 2023 MHG was a subsidiary undertaking of Moat Homes Limited. The results of MHG have therefore been consolidated within the Group financial statements, which are available on request from:

The Secretary, Moat Homes Limited, Mariner House, Galleon Boulevard, Dartford, Kent DA2 6QE

23. LEGISLATIVE AUTHORITY

MHG is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a non-charitable Registered Provider.