



MOAT HOUSING GROUP LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2022**

**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

MOAT HOUSING GROUP LIMITED BOARD

		Number of meetings attended (3 in total)
David Brocklebank	Independent, Chair	3
Tim Boag	Independent	2
Ian Lindsay (resigned June 2021)	Independent	-
Gerard McCormack	Independent	3
Steve White	Independent	2
Elizabeth Austerberry (resigned April 2022)	Executive	3
Mary Gibbons (appointed April 2022)	Executive	-
Steve Nunn	Executive	2
Greg Taylor	Executive	3

EXECUTIVE TEAM

Mary Gibbons (appointed April 2022)	Chief Executive
Elizabeth Austerberry (resigned April 2022)	Chief Executive
Carrie McKenzie (appointed September 2021)	Executive Director: People, Communications and Organisational Change
Steve Nunn	Executive Director: Development and New Business
Puneet Rajput (appointed March 2022)	Executive Director: Governance and Compliance and Company Secretary
Greg Taylor	Executive Director: Finance and Corporate Services
Matthew Hayday (resigned November 2021)	Executive Director: Governance and Compliance and Company Secretary
Anne-Britt Karunaratne (resigned July 2021)	Executive Director: Housing and Customer Services
There were two interim directors covering executive positions for part of the year:	
Howard Dawson	Executive Director: Housing and Customer Services
Sara Thomson	Executive Director: Governance and Compliance

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

AUDIT COMMITTEE

Gerard McCormack
Jeremy Ellis
Mark Foster

Chair

Number of meetings attended (4 in total)

4
4
4

FINANCE COMMITTEE

Tim Boag
David Brocklebank
Gerard McCormack
Steve White
Greg Taylor

Chair

Number of meetings attended (4 in total)

4
4
3
4
4

CUSTOMER & COMMUNITIES COMMITTEE

Jo Moran
Jeremy Ellis
Mark Foster
Caroline Ross
Howard Dawson (appointed July 2021,
resigned November 2021)
Anne-Britt Kaunaratne (resigned July 2021)
Steve Nunn (appointed July 2021)

Chair

Number of meetings attended (4 in total)

4
4
4
4
1
2
1

REMUNERATION & NOMINATIONS COMMITTEE

Mark Foster
Jo Moran
Caroline Ross
Steve White

Chair

Number of meetings attended (3 in total)

3
3
3
3

MOAT HOUSING GROUP LIMITED

STRATEGIC AND DIRECTORS' REPORT

for the year ended 31 March 2022

The Directors present the report and financial statements for Moat Housing Group Limited (MHG) for the year ended 31 March 2022.

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 both dormant.

OPERATING REVIEW

The year has seen continuing development activity at one scheme and sales activity at four schemes:

- All Saints – at the beginning of the year there were 20 homes available for sale, 19 of which sold during the year and the remaining home sold in May 2022. The margin on sales was 15.6%.
- Raley's Gym – the two remaining homes are rented while looking for opportunities to sell.
- Littlebourne – this is a phased development of 61 homes. 27 homes were sold in the year (2021: 1) at a margin of 17.2%. At the 31 March 2022, there were 5 homes available for sale and the remaining 28 will be handed over in the coming year.
- Gilkes Crescent – due to planning issues the decision was made to sell the land at Gilkes Crescent rather than carry on with the development. There was no surplus from the sale in the year.

Overall, 46 homes were sold (2021: 8 sales) with 8 homes available for sale at 31 March 2022 (24 at 31 March 2021).

MHG's focus going forward continues to be to develop open market sales properties and it is actively looking for development opportunities, either independently or working with other developers. As well as using its reserves and sales proceeds to fund the developments, MHG can borrow up to £50m from MHL.

MARKET REVIEW

The on-going concerns of high inflation and the longer-term impact of COVID-19, Brexit and the Ukraine War are being monitored closely. These could impact on construction with a possible shortage of labour and materials, leading to 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 £4.3m (2021: deficit of £1.0m).
- Within operating surplus of £5.0m (2021: £0.3m):
 - the 46 property sales made a surplus of £4.5m (2021: £0.1m)
 - £0.4m (2021: £0.1m) was written back to the value of housing property for sale with increases in current market values
 - a surplus of £12k on social housing lettings (2021: £11k)
 - two Firstbuy loans remain which earn interest of £1k (2021: £1k)
 - administrative costs of £37k (2021: £36k) cover audit and tax fees.
- £0.7m (2021: £1.2m) 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 2022 MHG had revenue reserves of £13.7m (2021: £9.4m).

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2022

TREASURY REVIEW

Moat's Treasury Policy is based on CIPFA's Treasury Management in the Public Services: Code of Practice; 2018 Edition. It is reviewed by the Finance Committee annually.

Liquidity

Proceeds from sales during the year resulted in borrowings at 31 March 2022 falling to £0.8m (2021: £29.9m). MHL provided all of the remaining £0.8m borrowed (2021: £24.9m). All bank development finance specific to individual schemes held at 31 March 2021 was repaid during the year (£5.0m).

A £50m intercompany facility with MHL is in place and is reviewed annually to ensure it meets MHG's requirements. At 31 March 2022 £49.2m was undrawn.

VALUE FOR MONEY (VfM)

Moat's VfM strategy, which applies to MHG in conjunction with Moat, 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 to set the boundaries for investment.
- **Investment appraisals** for all development activities are approved and monitored by the Capital Projects Committee and the Board.
- **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 a cost effective contract which delivers a quality of service meeting service level standards and incorporates 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** – in making decisions the social value impact is taken into account.

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 2021-22	Target 2021-22	Actual 2020-21
VfM metrics			
Operating margin (social housing lettings only) %	57%	50%	55%
Headline social housing cost per unit (HSHC) £	£732	£1,000	£663

The operating margin on social housing lettings at 57% compares favourably with the rest of Moat which has a margin of 38%. The 55% for 2020/21 places MHG in the top quartile in comparison with the global accounts metrics released by the Regulator of Social Housing.

The headline social housing cost per unit is higher than 2020/21 but lower than the rest of Moat. The low spend on the three houses is in line with the age of the properties.

MOAT HOUSING GROUP LIMITED

STRATEGIC AND DIRECTORS' REPORT (continued)

for the year ended 31 March 2022

STATEMENT OF GOING CONCERN

In March 2022 the Board approved the budget for 2022/23 which showed a surplus of £2.1m, including the sale of 34 homes.

The Board reviewed the 30-year long-term financial plan which 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 to scenarios combining elements of the foregoing to simulate market disruption that could be caused by adverse economic events. The plan assumes that there is an ongoing annual development volume of 50 homes. 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 gross development cap of £50m and a borrowing cap of £50m.

MHG's development commitments will be funded from reserves, borrowing from MHL, and sale proceeds.

The £50m intercompany facility from MHL has been approved to 30 September 2023 and MHL's long-term plan assumes continued support to MHG by extending the £50m facility to future years. In considering the risk of MHL being unable to provide the £50m facility, the Board has also reviewed MHL's 30-year long-term financial plan. MHL's plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest.

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. As discussed in the going concern section above, MHG's plan passes its stress tests and complies with its Golden Rules of a gross development cap of £50m and a 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 2022 which require disclosure.

MOAT HOUSING GROUP LIMITED

STRATEGIC AND DIRECTORS' REPORT (continued)

for the year ended 31 March 2022

GOVERNANCE

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

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

The Chair, David Brocklebank, was appointed in January 2021. He is the Executive Managing Director of Wates Developments Group, having held a number of roles within the business since joining Wates in 2001. He oversees Wates' business activity in residential land and development, engaging with both the public and private sector markets. David has 27 years' experience in the development sector, having previously held Directorships within the Berkeley Group and David Wilson Homes in the 1990s.

The Board is responsible for setting MHG's strategic direction and maintains oversight of 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 13.

- **Audit Committee**
The Audit Committee reviews the effectiveness of the organisation's internal control and risk management environment and oversees the appointment of the internal and external auditors as well as working closely with them.
- **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 to Moat on landlord responsibilities and customer service provision. It also advises Moat 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 Moat. It also keeps governance arrangements under review.

The membership of the Board and Committees is shown on pages 3 and 4.

Governance review

In line with good governance and best practice, an external review of governance arrangements is carried out every three years. Recommendations from the latest review carried out by Campbell Tickell in March 2020 have been implemented. Moat carried out its annual internal effectiveness review from April to May 2022. Overall the results support the view that the governance structure continues to be effective and performs well.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2022

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 N, provision 30 – going concern and annual and half-yearly financial statements	MHG is not required to produce half-yearly statements.
Principle Q, provision 36 - Remuneration schemes should promote long-term shareholdings by Executive Directors	MHG does not have shareholdings by Executive Directors.

MHG can confirm that it 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.

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. The Moat group, of which MHG is a member, had a governance and viability rating at the end of the 2021/22 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 Financial Conduct Authority (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 2021.

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2022

RISKS

Risk is inherent in MHG’s business activities. The Board is ultimately responsible for agreeing the nature and extent of the risks that MHG is willing and able to take as a business, as defined in Moat’s Risk Appetite.

The approach to risk management is defined in the Risk Strategy and Management Framework. This is updated and reviewed annually by the Audit Committee to ensure that it reflects best practice and the operating environment.

Risks that have the potential to impact across the whole business are managed as strategic risks. The Strategic Risk register is reviewed monthly by the Executive Team, by the Audit Committee at each quarterly meeting and by the Board twice a year.

Operational risks, which have a more limited potential impact, are managed by the Senior Leadership Team and reviewed quarterly by the Executive Team as part of the systematic control review. Also, all staff are responsible for maintaining an awareness of risks in their area of work, keeping these under review and managing them effectively.

Strategic Risks

The risks with the highest risk ratings for MHG are noted below together with mitigating actions:

Risk Description	Strategy	Mitigations
Exposure to falling house prices, in relation to open market properties	Mitigate	<ul style="list-style-type: none"> • Conservative approach to valuations in investment appraisals • Marketing strategies and incentives to optimise sales
Compromise of information systems and/or data	Mitigate	<ul style="list-style-type: none"> • Dedicated security engineer for managing cyber security threats • Robust processes including Disaster Recovery solution • Regular penetration testing and security simulations • Additional security measures requiring multi factor authentication • Managed threat response system
Failure of safety management	Mitigate	<ul style="list-style-type: none"> • Independent health and safety oversight of compliance • Dedicated building safety team • Expert technical support and audit
Severe breach of data protection	Mitigate	<ul style="list-style-type: none"> • Mandatory training for all employees • Information governance and data protection resources • System controls

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2022

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, whistleblowing, 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. During the year a procurement process took place for the internal audit function, and from 1 April 2022 Beever and Struthers replace Price Waterhouse Coopers as the internal auditor for Moat.

The Board have reviewed the system of internal controls for the year ended 31 March 2022 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 (2021: 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 on-line at www.moat.co.uk

MOAT HOUSING GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORT (continued)
for the year ended 31 March 2022

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
28 July 2022

MOAT HOUSING GROUP LIMITED

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2022

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 as well as working closely with them.

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 the organisation'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 can be found on page 4.

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 April and May 2022. 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. The review covered all of the key elements of the Committee's terms of reference. All of the questions received high scores which was in line with the results from the previous year, demonstrating a consistency in performance over time.

The Committee's key areas of responsibility are:

- Financial reporting
- Internal and external audit
- Compliance, whistleblowing and fraud
- Oversight of risk management and internal controls assurance.

Evidence of the Committee's work in these areas is set out within this report.

Looking ahead to 2022/23, a principal focus of the Committee will be overseeing the work of Beaver and Struthers, our newly appointed internal auditor. The Committee expects a positive impact from new executives joining Moat and continuing improvement in its own effectiveness.

2021/22 meetings

The Committee met four times during the financial year. In addition to the routine cycle of business, the Committee oversaw Moat's management of cyber security and the review of key policies within its remit. The Committee challenged management on the effectiveness of financial controls and authorisations in a remote working environment and on the ability to maintain key health and safety compliance.

MOAT HOUSING GROUP LIMITED
REPORT OF THE AUDIT COMMITTEE (continued)
for the year ended 31 March 2022

In order to facilitate its work, the Committee invited the following individuals to its meetings throughout the year:

- Chief Executive
- Executive Director: Finance and Corporate Services
- Executive Director: New Business and Development
- Executive Director: Governance and Compliance
- Director of Accounting Services
- Risk and Assurance Manager
- Head of Health, Safety and Facilities Management
- Head of Technical and Building Safety
- Director of Information Systems
- Internal and External Audit representatives (PwC and BDO respectively)
- Other Moat colleagues as required.

Internal Audit

During the year the Committee oversaw delivery of the internal audit plan by Price Waterhouse Coopers (PwC) and completion of all recommended actions due by 31 March 2022. Only low-risk findings were identified from the reviews carried out. An independent review of landlord health and safety management carried out by Savills consultancy found the scope and scale of internal assurance activities to be amongst the best in the sector.

The Committee supervised the re-procurement of the internal audit function and will ensure a smooth transition between PwC and the new incoming internal auditor, Beever and Struthers.

External Audit

BDO LLP was appointed as our External Auditor in 2016 and was reappointed to audit the financial statements for 2021/22.

At the July 2022 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. This has been identified by Moat as a high strategic risk, 'exposure to falling house prices', see page 10 and had been reviewed by the Committee in the Strategic Risk Register at each meeting. Impairment work carried out by management was also outlined in a paper to the Committee and Note 2 on page 27 discusses the critical judgements used in carrying out the impairment review which resulted in a £428k increase 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 7 and 23.

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 report on the annual board assurances in the financial statements, detailing the assurances given and the work performed to ensure compliance. 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 2022

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
28 July 2022

MOAT HOUSING GROUP LIMITED

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

for the year ended 31 March 2022

Role

The Remuneration and Nominations Committee (the Committee) oversees the appointment process for independent directors and makes recommendations for appointment to Moat. The Committee is also responsible for determining executive remuneration and annually reviewing Moat's key governance documents.

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 4.

In order to facilitate its work, the Committee invited the following individuals to its meetings throughout the year:

- Chief Executive
- Executive Director: Governance and Compliance
- Executive Director: People, Communications and Organisational Development
- Executive Director: Finance and Corporate Services.

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.

The Committee undertook its effectiveness survey in April and May 2022. 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.

The review covered all of the key elements of the Committee's terms of reference. All of the questions received high scores with an improvement on the results from the previous year.

Looking ahead to 2022/23, a key area of the Committee's focus will be on succession planning as two members of the Board enter the final year of their tenure.

2021/22 Work Programme

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

- monitoring the extent of Moat's compliance with the UK Corporate Governance Code
- succession planning for the Chair of the Audit Committee
- determining executive pay awards
- overseeing the implementation of actions arising out of Moat's In-Depth Assessment
- appraising options for ongoing pension provision
- agreeing annual objectives for the Executive Team.



Mark Foster
Remuneration and Nominations Committee Chair
28 July 2022

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 2022 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 2022, 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'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 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 is 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 7. 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 7.
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. 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
- a satisfactory system of control has not been maintained over transactions
- 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 12, 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 is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or has 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)

Based on our understanding of the Association and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to its registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or its continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated 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 inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- We assessed the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper income recognition.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals and tested the application of cut-off and revenue recognition.
- Reviewed and challenged the application of significant accounting estimates and judgements made in the preparation of the financial statements, notably impairment, housing property and inventory allocations and the recoverable amount of properties developed for sale. Our consideration of these significant accounting estimates and judgements reflected the impact these have on reported financial performance.
- Discussed with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and
- Read minutes of meetings of those charged with governance, reviewed internal audit reports and reviewed correspondence with HMRC and the Regulator of Social Housing.

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.

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 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.

BDO LLP

BDO LLP, Statutory Auditor
Gatwick

Date: 1 August 2022

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 2022

	Notes	2022 £000	2021 £000
Turnover	3	35,221	8,541
Operating costs	3	(80)	(15)
Cost of sales	3	<u>(30,185)</u>	<u>(8,260)</u>
Operating surplus	3	4,956	266
Interest payable	5	<u>(690)</u>	<u>(1,217)</u>
Surplus / (deficit) before taxation	6	4,266	(951)
Taxation	7	-	-
Surplus / (deficit) and total comprehensive income/(expense) for the year		<u>4,266</u>	<u>(951)</u>

The notes on pages 23 to 34 form part of these financial statements.

All amounts relate to continuing activities.

MOAT HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Notes	2022 £000	2021 £000
Tangible fixed assets			
Housing properties	9	413	420
Investments			
Firstbuy loans		50	50
		<u>463</u>	<u>470</u>
Current Assets			
Housing stock for sale	11	14,964	38,854
Debtors	12	17	271
Cash at bank and in hand		479	1,316
		<u>15,460</u>	<u>40,441</u>
Creditors - amounts falling due within one year	13	<u>(1,237)</u>	<u>(6,462)</u>
Net current assets		<u>14,223</u>	<u>33,979</u>
Total assets less current liabilities		14,686	34,449
Creditors - amounts falling due after more than one year	14	<u>(1,000)</u>	<u>(25,029)</u>
Total net assets		<u><u>13,686</u></u>	<u><u>9,420</u></u>
Capital and reserves			
Called up share capital	18	-	-
Income and expenditure account		13,686	9,420
		<u><u>13,686</u></u>	<u><u>9,420</u></u>

The notes on pages 23 to 34 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 28 July 2022 and signed on its behalf by



David Brocklebank
Chair



Greg Taylor
Director



Puneet Rajput
Secretary

Registered Number: 27943R

MOAT HOUSING GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
as at 31 March 2022

	Income and expenditure account 2022 £000	Income and expenditure account 2021 £000
Balance at 1 April	9,420	10,371
Surplus / (deficit) for the year	<u>4,266</u>	<u>(951)</u>
Balance at 31 March	<u><u>13,686</u></u>	<u><u>9,420</u></u>

MOAT HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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).

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

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.

Going concern

In March 2022 the Board approved the budget for 2022/23 which showed a surplus of £2.1m, including the sale of 34 homes.

The Board reviewed the 30-year long-term financial plan which 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 to scenarios combining elements of the foregoing to simulate market disruption that could be caused by adverse economic events. The plan assumes that there is an ongoing annual planning volume of 50 homes. 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 gross development cap of £50m and a borrowing cap of £50m.

MHG's development commitments will be funded from reserves, borrowing from MHL, and sale proceeds.

The £50m intercompany facility from MHL has been approved to 30 September 2023 and MHL's long-term plan assumes continued support to MHG by extending the £50m facility to future years. In considering the risk of MHL being unable to provide the £50m facility, the Board has also reviewed MHL's 30-year long-term financial plan. MHL's plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest.

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 2022

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 amount 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 2022

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.

Reserve 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 2022

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, there is a deed of covenant in place or a Companies Act s288 written resolution has been approved by the shareholders in the year to make a gift aid payment for the year to its parent by a certain payment date.

Exclusion 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 in its own published consolidated financial statements.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

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 our 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. Following an increase in expected sales values at one scheme where the value had previously been written down, there has been a write back of impairment of £428k (2021: £66k write back).

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2022			
	Turnover	Operating costs	Cost of sales	Operating surplus
	£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>
	2021			
	Turnover	Operating costs	Cost of sales	Operating deficit
	£000	£000	£000	£000
Social housing lettings	20	(9)	-	11
Non-social housing activities				
Leasehold	12	(15)	-	(3)
Equity loan interest receivable	1	-	-	1
Open market rent	122	(21)	-	101
Open market property sales	8,386	-	(8,260)	126
Movement in net realisable value of housing stock	-	66	-	66
Administrative costs	-	(36)	-	(36)
	<u>8,541</u>	<u>(15)</u>	<u>(8,260)</u>	<u>266</u>

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

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

Income and expenditure from social housing lettings

	<u>2022</u>	<u>2021</u>
	General	General
	needs	needs
	£000	£000
Turnover from social housing lettings		
Rents receivable	18	17
Service charge income	<u>1</u>	<u>1</u>
Net rental income	19	18
Amortisation of Social Housing Grant	<u>2</u>	<u>2</u>
Total turnover from social housing lettings	<u>21</u>	<u>20</u>
Operating costs on social housing lettings		
Management	(2)	(1)
Service charge cost	-	(1)
Depreciation of housing properties	<u>(7)</u>	<u>(7)</u>
Total operating costs on social housing lettings	<u>(9)</u>	<u>(9)</u>
Operating surplus on social housing lettings	<u>12</u>	<u>11</u>
Void losses	<u>2</u>	<u>-</u>

4. DIRECTORS, EXECUTIVE TEAM AND EMPLOYEE INFORMATION

MHG Non-Executive Directors did not receive any remuneration for their services as board members from MHG (2021: £nil).

MHG does not have any employees (2021: no employees).

5. INTEREST PAYABLE

	2022	2021
	£000	£000
On bank loans and overdrafts	120	389
Interest payable to Group entities	<u>570</u>	<u>828</u>
	<u>690</u>	<u>1,217</u>

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

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

6. DEFICIT BEFORE TAXATION

	2022	2021
	£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	23	21

7. TAXATION

	2022	2021
	£000	£000
Current tax:		
UK corporation tax	-	-
	2022	2021
	£000	£000
Surplus / (deficit) before tax	4,266	(951)
Current tax at 19% (2021: 19%)	811	(181)
Effects of:		
Loss carried forward	-	176
Brought forward losses utilised in the year	(816)	-
Non-taxable items	5	5
Total tax charge	-	-

8. NUMBER OF HOMES IN MANAGEMENT

	At	At
	31 March	31 March
	2022	2021
Social housing		
General needs	3	3
Non-social housing		
Leasehold properties	15	15
Firstbuy properties	2	2
Market rent	2	2
	19	19
Total	22	22

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Rented properties completed 2022 £000	Rented properties completed 2021 £000
Cost		
At 1 April and 31 March	<u>473</u>	<u>473</u>
Depreciation		
At 1 April	(53)	(46)
Charged in the year	<u>(7)</u>	<u>(7)</u>
At 31 March	<u>(60)</u>	<u>(53)</u>
Net book value at 31 March	<u>413</u>	<u>420</u>
Freehold properties at cost	<u>473</u>	<u>473</u>

10. 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

11. HOUSING STOCK FOR SALE

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

	2022 £000	2021 £000
Open market sales		
In construction	11,766	24,294
Available for sale	<u>3,198</u>	<u>14,560</u>
	<u>14,964</u>	<u>38,854</u>
Housing stock for sale as at 1 April	38,854	40,372
Additions	6,295	6,676
Sales	(30,613)	(8,260)
Stock write back	<u>428</u>	<u>66</u>
Housing stock for sale as at 31 March	<u>14,964</u>	<u>38,854</u>

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

12. DEBTORS

	2022	2021
	£000	£000
Due within one year		
Arrears of rent and service charges	5	5
Provision for bad and doubtful debts	(4)	(4)
	<u>1</u>	<u>1</u>
Other debtors	11	267
Prepayments and accrued income	5	3
	<u>17</u>	<u>271</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£000	£000
Trade creditors	7	636
Bank loans	-	4,994
Other creditors	24	42
Accruals	1,206	790
	<u>1,237</u>	<u>6,462</u>

The bank loan was specific to an individual development project and was repaid in April 2021.

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

	2022	2021
	£000	£000
Amounts due to other Group regulated companies - loan	842	24,874
Government grant	134	135
Service charge creditor	24	20
	<u>1,000</u>	<u>25,029</u>
Amounts repayable after five years are:		
Government grant	134	135
Service charge creditor	24	20
	<u>158</u>	<u>155</u>

The unsecured loan from MHL is a revolving facility which expires on 30 September 2023. Interest is payable at 3.35% p.a. over UK Base Rate.

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

15. GOVERNMENT GRANT

	2022	2021
	£000	£000
Social Housing Grant	147	147
Cumulative amortisation of Social Housing Grant	<u>(13)</u>	<u>(12)</u>
	<u>134</u>	<u>135</u>

16. CAPITAL COMMITMENTS

	2022	2021
	£000	£000
Capital expenditure contracted for but not provided in the financial statements	<u>5,818</u>	<u>13,159</u>

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

17. FINANCIAL INSTRUMENTS

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

Financial assets	2022	2021
	£000	£000
Measured at historic cost:		
Trade and other debtors (<i>note 12</i>)	12	268
Cash and cash equivalents	<u>479</u>	<u>1,316</u>
	<u>491</u>	<u>1,584</u>
Financial liabilities	2022	2021
	£000	£000
Measured at amortised cost:		
Bank loans (<i>note 13</i>)	-	4,994
Amounts due to group companies (<i>note 14</i>)	842	24,874
Measured at historic cost:		
Trade and other creditors (<i>notes 13, 14</i>)	<u>1,261</u>	<u>1,488</u>
	<u>2,103</u>	<u>31,356</u>

Amounts due on bank loans and to Moat Homes Limited are repayable at UK base rate plus 3.35%.

	2022	2021
	£000	£000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	<u>(690)</u>	<u>(1,217)</u>

MOAT HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

18. CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Allotted, issued and fully paid £1 shares		
At 1 April	6	5
Cancelled during the year	(1)	-
Issued during the year	-	1
	<u> </u>	<u> </u>
At 31 March	<u> 5 </u>	<u> 6 </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.

19. RELATED PARTY TRANSACTIONS

Key management personnel are Board members and the Executive Team. There were no related party transactions in 2021/22.

20. INTRA GROUP TRANSACTIONS WITH NON-REGULATED ENTITIES

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

21. GROUP STRUCTURE

As at 31 March 2022 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

22. LEGISLATIVE AUTHORITY

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