

CHISEL LIMITED
BOARD REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Legal and Administrative Information

Report to the Board

Report of the Independent Auditors

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Reserves

Statement of Cash Flows

Notes to the Financial Statements

CHISEL LIMITED
BOARD REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

REGULATOR FOR SOCIAL HOUSING REGISTRATION NUMBER: L3642

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014
REGISTRATION NUMBER: 25155R

CHISEL LIMITED
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FOR THE YEAR ENDED 31 MARCH 2020

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Auditors

Ernst & Young
 15 South Row
 London
 EC4A 3DF

Branches

National Westminster Bank Plc
 PO Box 414
 38 Strand
 London
 WC2R 0AL

Unity Trust Bank Plc
 Nine Brindley Place
 Birmingham
 B1 2TL

Principal Locations

Chislehurst, London
 Capital Mortgage Services Limited
 100, 102, 104
 100, 102, 104
 100, 102, 104
 100, 102, 104
 100, 102, 104

Unity Trust Bank Plc
 Nine Brindley Place
 Birmingham
 B1 2TL

Registered with the Registrar for Social Housing - No. 13542

Registered under the Co-operative and Community Benefit Societies Act 2004 - No. 25157A

CHISEL LIMITED
LEGAL AND ADMINISTRATIVE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2020

BOARD

| | |
|-----------------|--|
| Louise Owen | Chair – appointed May 2019 (Tenant Member appointed 2018) |
| Carolyn Wilson | Vice-Chair– appointed May 2019 (Tenant Member appointed 2018) |
| Joseph Leach | Treasurer – appointed October 2019 (Independent Member) |
| Andrew Watson | Secretary - appointed October 2019 (Independent Member appointed September 2019) |
| Jo Van-Der Meer | Tenant Member (appointed September 2019) |
| Iris Garrelfs | Tenant Member (appointed September 2019) |
| Angela Bryan | Independent Member |
| Adrian Adams | Tenant Member (resigned September 2019) |
| Steve Beard | Independent member (resigned September 2019) |
| Fiona Jamieson | Independent member (resigned September 2019) |
| Sandra Blake | Independent member (resigned September 2019) |
| Dave Shiress | Independent member (resigned September 2019) |
| Des Waters | Independent member (resigned September 2019) |

STATUS

The organisation is a Registered Society, registered under the Co-operative and Community Benefit Societies Act 2014

Registered Office
188a Brockley Road
London
SE4 2RL

Auditors
Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

| | |
|-------------------------------|----------------------|
| Bankers | |
| National Westminster Bank Plc | Unity Trust Bank Plc |
| PO Box 414 | Nine Brindley place |
| 38 Strand | Birmingham |
| London | B1 2HB |
| WC2H 5JB | |

| | |
|----------------------------------|----------------------|
| Principal Lenders | |
| Orchardbrook Limited | Unity Trust Bank Plc |
| Capita Mortgage Services Limited | Nine Brindley place |
| Crown House | Birmingham |
| Crown Street | B1 2HB |
| Ipswich | |
| Suffolk | |
| IP1 3HS | |

Registered with the Regulator for Social Housing - No. L3642

Registered under the Co-operative and Community Benefit Societies Act 2014 – No. 25155R

**CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020**

The Board present their Annual Report and the audited financial statements of CHISEL Limited for the year ended 31 March 2020.

Principal activity

CHISEL is a registered provider of social rented housing; CHISEL's principal activities are to provide housing services for people in housing need. "

Financial Review

CHISEL has had a financially successful year with a surplus for the year to 31 March 2020 of £256,066 compared with a surplus of £247,430 in 2019. The Association's net current assets increased from £183,308 in 2019 to £212,000 in 2020 as shown in the statement of financial position on page 14.

The results for the year are shown in the statement of comprehensive income on page 13. The position at the end of the year is shown in the statement of financial position on page 14.

In 2020 in addition to Statement of Comprehensive Income expenditure on repairs, £41,322 (2019: £169,036) was re-invested on component replacements to existing properties.

The impact of the Covid-19 pandemic entailed the closure of the office at the end of the financial year, staff working remotely from home and all contact facilitated through electronic media including on-line virtual meetings. The organisation has remained in operation with these post balance sheet events in effect. CHISEL has worked well and there has been no noticeable impact on the arrears position although restricted local authority working and our own home working has made processing rent and benefit payments difficult and a lengthier task than would normally be the case.

No change in arrangements during the year. Each member, including the Board members, holds one fully paid £1 share in the Association. There are no directors' share options nor has there been any acquisition of the company's own shares. The Association does not issue shares other than the nominal non-refundable £1 shares.

The Association has made no political or charitable gifts during the year. The Association employs less than 250 staff members. Creditors are paid within 30 days unless there is a dispute.

**CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020**

REPORT OF THE BOARD (CONTINUED)

Our Objectives

The Board reviewed Vision and Values in September 2017 and these were launched at our AGM later that month. The revised vision and values are as follows: -

Vision

CHISEL - providing good quality neighbourhood housing for families and single people, where tenants take an active role in decision making.

Our Values

- Focus on what really matters to residents.
- Treat everybody as we would like to be treated
- Value people as individuals with different needs
- Being well governed, accountable, independent and financially strong.
- Working collaboratively
- Striving constantly towards a better service.

From September 2019, the organisation re-affirmed itself as a tenant led organisation by electing a majority of tenants to the Board at the AGM.

Achieving our objectives

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

- Rent Policy – the Board is committed to maintaining rents at affordable levels, but also aim to ensure that service charges cover all applicable costs;
- Housing Management policies and standards which aim to provide effective quality services to tenants, achieving high levels of tenant satisfaction and assisting tenants to sustain their tenancies.
- Maintenance and asset management policies which maintain our properties in a good state of repair; improve elements such as Kitchens and bathrooms on a rolling programme and replace major components such as windows and roofs in a timely manner. As part of the business plan from 2018, from the stock condition survey of our self-build homes, a provision is made committed to investing in these homes to ensure that they are sustainable going forward and to provide good quality homes for the tenants living in these properties;
- Resident Engagement Strategy and a tenant led Operational Scrutiny Committee that ensures that we have meaningful engagement with our tenants and they are able to influence the work of the association and the services we provide;
- An approach to Value for Money (VRM) that enables us to be an effective social business, achieving the desired outcomes set out in our vision and values for the best possible cost and maximum benefit to our tenants.
- CHISEL is committed through the equality and diversity policy and the provisions of the Equalities Act 2010. It promotes equality of opportunity by protecting and providing access through tackling discrimination and making reasonable adjustments to employment, to those employed and using its services and valuing diversity in all aspects of its work.

Employees

CHISEL has employed seven part time workers, Managing Director, Housing Operations Manager, Rents Officer, Housing Officer, Co -ops and Tenants Officer, Finance Officer and Finance Manager. During the year, the employment of the rents officer ended leaving the equivalent of 4.2 full time workers. We receive technical support through the services of an independent RICS surveyor approx. 1 / 2 days per week. The MD and managers regularly attended Board, Finance and Operational Scrutiny Committee meetings. Staff training and development is a priority and staff attend courses run by a number of organisations.

**CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020**

REPORT OF THE BOARD (CONTINUED)

Pension Provision

The association provides and contributes to a defined contribution pension scheme for all staff through the Social Housing Pension scheme (SHPS).

Health, safety and welfare of tenants and employees

The Board recognises the importance of effective health, safety and welfare for its tenants and employees at work. Appropriate policies are in place for the protection and welfare of the tenants and employees of the Association. We carried out Fire Risk Assessments during 2018 and have implemented recommendations from those assessments. The Fire Risk Assessments reviews are due to be carried out in 2020. Further to commissioning these reviews, our approach to fire safety and advice to tenants has been considered during the post year end period by the Board to ensure effective mitigation of risk, that appropriate policies are in place and with competent expertise appointed on behalf of CHISEL.

CHISEL has responded to the Covid-19 pandemic. Following the lock down, risk assessments were carried out and staff worked from home, attending the office individually if they need to do so. The office has been deep cleaned and PPE provided for staff to use should the necessity arise. Essential maintenance was carried out during the period of lockdown with priority for health and safety. With two exceptions due to shielding, gas certification was to time.

Corporate Governance and Internal Controls

The Board is responsible for the association's system of internal control and reviewing its effectiveness. The system is designed to provide reasonable assurance against material misstatement or loss, but it cannot provide absolute assurance or eliminate all risk of failure to achieve business objectives. The Board ensures that the process for identifying, evaluating and managing the risks faced by CHISEL is ongoing. These are regularly reviewed by the Board.

The Board discharges its responsibilities for internal control through the following key procedures: -

- The Board has established policies, procedures and standing orders which are regularly reviewed.
- The Board approves CHISEL's business plan and annual budget and monitors the association's financial results against budget by receiving and examining quarterly financial reports.
- Cash flow forecasts are presented to the Board showing CHISEL's projected cash movements for the coming year.
- Budgetary control is delegated to MD, who receives regular monthly management accounts. CHISEL has in place an organisational structure set out in CHISEL's Financial Standing Orders with formally defined lines of responsibility. Day to day budgetary control is operated by individual staff and the MD as defined in CHISEL's Financial Standing Orders which includes delegated authorities. Budgetary control is maintained by the senior management team with regular scrutiny by the Finance Committee. Monthly performance data is made available to the full Board.
- Procedures are in place to identify and manage business risks and the Board regularly reviews the risk map.
- Capital investment decisions are made by means of appraisal and approved by Board
- The Board reviews the effectiveness of CHISEL's system of internal control through the receipt and discussion of regular reports from the Managing Director and reviews from external providers.

Compliance with the Governance and Financial Viability Standard and the NHF Code of Governance (2015).

CHISEL is committed to compliance with the NHF Code of Governance and the Governance and Financial Viability Standard set by the Regulator of Social Housing in England & Wales (formerly the Homes and Communities Agency). In particular the following controls and activities are in place: -

A Board succession plan, we have actively recruited new Board members

Board appraisal framework and annual skills audit,

Reviewed our financial business plan and organisation with the help of a leading sector consultancy,

The Board receives quarterly reports regarding CHISEL's compliance with funders covenants

Updated our asset liability register, including data from the self-build stock condition survey undertaken in summer of 2017.

CHISEL is committed to accountability and endorses the principle of openness and accountability through its tenant engagement policy to its tenants and members through its shareholder policy. We have a range of involvement

**CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020**

opportunities on offer to our tenants including membership of Operational Scrutiny Committee and the Board. All tenants are invited to the AGM; receive our annual report to tenants and quarterly newsletters.

REPORT OF THE BOARD (CONTINUED)

The Board confirms that the Association has met Regulator of Social Housing's regulatory expectations in governance and financial viability standard.

It has reviewed the board member information pack given to new board members as part of their induction. All Board members including new Board members have met and been briefed with staff at a Planning Day shortly after the AGM 26th September 2019.

Public Benefit Entity

As a public benefit entity, CHISEL Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Going Concern

The Board have reviewed future forecasts and are satisfied the Association is a going concern. Accordingly, the accounts have been prepared on the going concern basis.

Principal Risks and Uncertainties.

It is difficult to predict with certainty what will impact upon any business but we have identified the following risks which the Board will monitor and actively manage and plan to mitigate their impact: --

- Universal Credit – which will impact upon some of our tenants and could in turn impact upon our ability to collect rental income
- Poor Asset management - not addressing the issues arising out of the self-build stock condition survey
- Social Housing Pension Scheme Pension deficit – which will not crystallise until the last staff member leaves the scheme.
- Brexit - by way influencing interest rates, property prices, labour markets impacting upon both the materials and services we procure or upon the employment prospects of our tenants.
- Covid-19 pandemic post balance sheet event.

Value for Money

For CHISEL VFM is about spending wisely and making the best use of our resources ensuring we are an effective social business. It is important that CHISEL is able to demonstrate that it delivers Value for Money in its delivery of housing services to its tenants and other stakeholders. Our focus on delivering efficiencies and investing resources where they add value had been through involving our tenants in defining services by continually seeking their feedback both on an individual level and through Operational Security Committee. This enables us to identify our tenant's priorities and shape our services to meet these. As a small housing association getting value for money is very important to us and we have this in the forefront of our minds in all the spending decisions we make.

The previous years Regulator of Social Housing revised regulatory approach to VFM have been followed with the objectives of:

- Continuing to drive improvements in VFM within the social housing sector
- Ensuring a strategic approach to delivering VFM is embedded within the business
- Encouraging investment in existing homes and new housing supply
- Enhancing the consistency, comparability and transparency of VFM reporting

The RSH requires that we report against a prescribed set of metrics. Following last year when these metrics have been introduced, for comparative purposes, we have also included last year's performance. We have the standard metrics as currently shown in the report but intend to add our own ones that we believed were more relevant to CHISEL in the future. We continue to subscribe to the Acuity report and benchmarked us against the BM320 group.

CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020

REPORT OF THE BOARD (CONTINUED)

Our Performance against regulatory metrics

| RSH Metric | 2019/20 | 2018/19 |
|---|---------------|---------------|
| 1. Reinvestment % | 0.3% | 1.1% |
| 2A. New Supply Delivered (social housing units) % | - | - |
| 2B. New Supply Delivered (non-social housing units) % | - | - |
| 3. Gearing % | 9.6% | 11.2% |
| 4. EBITDA MRI interest cover % | 473.8% | 300.0% |
| 5. Headline social Housing Cost per unit | £4,010 | £4,518 |
| 6A. Operating Margin (social housing lettings only) | 19.7% | 21.5% |
| 6B. Operating Margin (overall) | 20.7% | 22.6% |
| 7. Return on Capital Employed | 2.0% | 2.2% |

6A. Operating margin (social housing lettings only) % - operating margin derived from social housing lettings divided by turnover from social housing lettings. Again the 2019/20 rate of 19.7% is below the 2018/19 benchmark of 21.5%. Our operating margin for 2019/20 is below the sector median of 20.5%. Our operating margin is below the sector median, which is due to our lower income in 2019/20 and we need to improve in the area of our performance and become more efficient going forward in our use of resources.

6B. Operating margin (overall) % - overall operating margin derived by dividing operating profit by turnover. We have a need to improve our efficiency in our current operations as it is below the sector median.

7. Return on capital employed (ROCE) % - a measure of overall operating success to which assets are committed. The return is below the sector median, although the properties we own are of a relatively high value because of their location. The income generated by these properties is low in comparison to other social housing providers.

In addition to the above metrics, CHISEL's Board will be setting strategic targets to measure the performance against our strategy for the forthcoming year. These targets will reflect our core values and business model, remain part of the CHISEL Group strategy and will include measures to London and other areas as part of that group is to improve performance across a wide range of performance measures that go to make up the wider social sector. The CHISEL group is a social housing provider which will be expected to have a wider role in the wider social sector.

**CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020**

REPORT OF THE BOARD (CONTINUED)

Explanation of our performance against the Registered Social Housing Metrics

These new RSH metrics focus upon measures of efficiency, effectiveness and economy: -

1. Reinvestment % - the investment in properties (existing stock and new supply) as a percentage of the value of total properties held. As our stock ages we are increasing the level of investment in our stock as we move more from undertaking day to day repairs to component replacement. We have not done any development this year. We will realign our expenditure towards planned and cyclical works.

2A. New supply delivered (social housing units) % - the number of new social housing units delivered as a proportion of total social housing units owned. CHISEL is currently not developing / building new homes.

2B. New supply delivered (Non-social housing units) % - the number of new non-social housing units delivered as a proportion of total social housing units owned. CHISEL is currently not developing / building new homes. In 2016/17 CHISEL purchased a property which it lets out at market rent.

3. Gearing % - net debt as a percentage of the value of total properties held. Our gearing is low compared to the median as we are currently not taking on any new loans, just repaying existing.

4. EBITDA MRI Interest cover % - the level surplus generated compared to the interest payable. Last year our surplus was higher than normal due to lower interest payments caused by smaller loans and low interest rates on the variable element. We are below the median and we need to improve, our rents are low and our expenditure as a whole is comparatively high in comparison to our income, this directly impacts on our level of surplus.

5. Headline social housing cost per unit – social housing costs (as defined by the regulator) divided by total units owned and / or managed. CHISEL's cost per unit have fallen from last year, primarily due to capital expenditure (component replacements) compared to last year. We are currently below the median for our peer group.

6A. Operating margin (social housing lettings only) % - operating surplus (deficit) from social housing lettings divided by turnover from social housing lettings. Again the "one off" sale of a property in 2016/17 increased our operating surplus, hence 2016/17 operating margin on social housing lettings is better than 2017/18. Our operating margin is below the sector median, again for similar reasons as outlined in 4 above and we need to improve in this area of our performance and become more efficient going forward in our use of resources.

6B. Operating margin (overall) % - overall operating surplus (deficit) divided by overall turnover. As above we need to improve our efficiency as our current performance is below the sector median.

7. Return on capital employed (ROCE) % - compares the overall operating surplus to total assets less current liabilities. This needs to improve as we are below the median, although the properties we own are of a relatively high value because of their location, the income generated by these properties is low in comparison because rents are low.

In addition to the above metrics, CHISEL's Board will be setting strategic targets to measure our performance against our objectives for the forthcoming year. These targets will reflect our core values and beliefs. CHISEL remains part of the BM320 Benchmarking group for small housing associations in London and will continue as part of that group to benchmark performance across a wide range of performance measures that go to make up the wider sector score card. The BM320 publish an annual benchmarking report, which will be available from our website later in the year. www.chisel.org.uk

**CHISEL LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020**

REPORT OF THE BOARD (CONTINUED)

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

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and association and of the Income and Expenditure for the period of account.

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

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

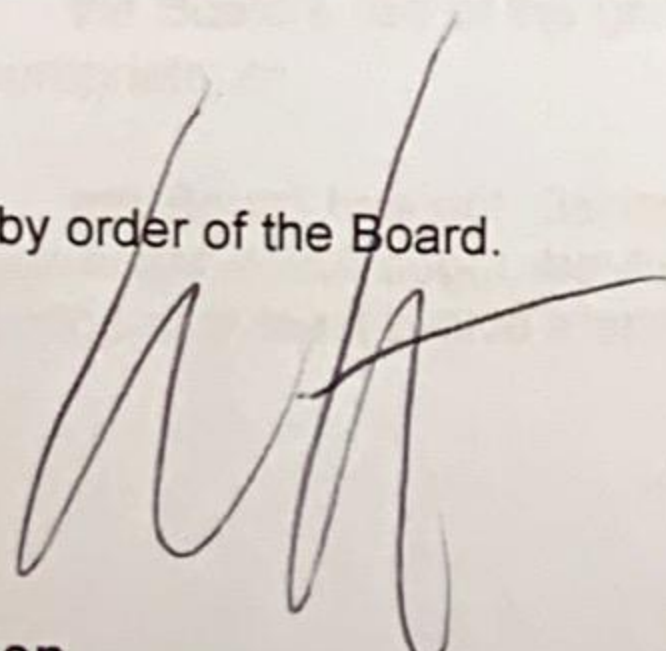
The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the group and association and to prevent and detect fraud and other irregularities.

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

Information for Auditors

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

Signed by order of the Board.



A Watson

Company Secretary

Date: 10/2/2020

**CHISEL LIMITED
REPORT OF THE INDEPENDENT AUDITORS
TO THE BOARD OF CHISEL LIMITED
FOR THE YEAR ENDED 31 MARCH 2020**

Opinion

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard including FRC Ethical Standard – Provisions Applicable for Smaller Entities, in the circumstances set out in note 8 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

CHISEL LIMITED
REPORT OF THE INDEPENDENT AUDITORS
TO THE BOARD OF CHISEL LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the committee

As explained more fully in the Board's 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 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 committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the society, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society 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 society for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Chartered Accountants
Statutory Auditor

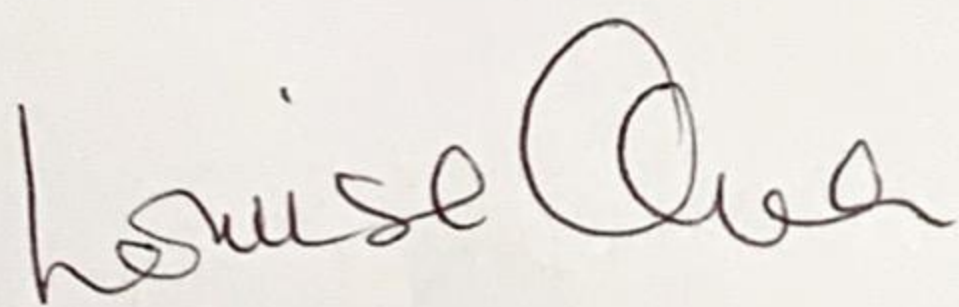
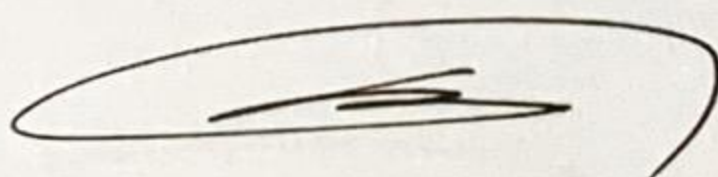
Date: *8 October 2020*

15 Bunhill Row
London
EC1Y 8LP

CHISEL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

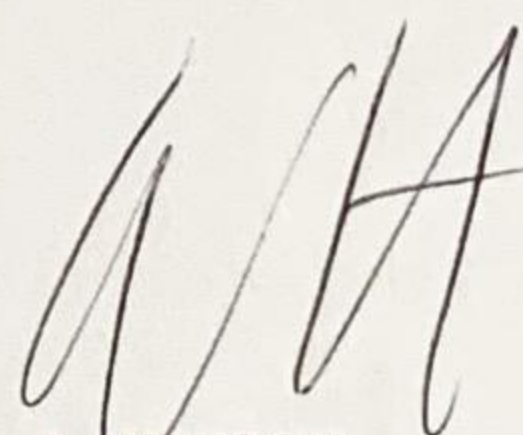
| | Notes | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-------|-----------------------------|-----------------------------|
| | | £ | £ |
| Turnover | 2 | 1,542,523 | 1,577,310 |
| Operating Costs | 2 | (1,222,471) | (1,221,422) |
| Operating Surplus | | 320,052 | 355,888 |
| Interest Received | 6 | - | - |
| Interest Payable | 7 | (86,563) | (108,458) |
| Gain/(loss) on disposal of housing property | 5 | - | - |
| Increase in value of investment property | | 22,577 | - |
| Surplus/(deficit) before taxation | | 256,066 | 247,430 |
| Taxation | | - | - |
| Surplus/(deficit) for the year after taxation | 8 | 256,066 | 247,430 |
| Other comprehensive income | | | |
| Initial recognition of multi-employer defined benefit scheme | | - | 37,872 |
| Actuarial gain/(loss) in respect of pension schemes | | 15,000 | (5,000) |
| Total Comprehensive Income for the year | | 271,066 | 280,302 |

The financial statements on pages 13 to 36 were approved by the Board on 10/9/20 and were signed on its behalf by:

L. OWEN
Chair

J. LEACH
Treasurer



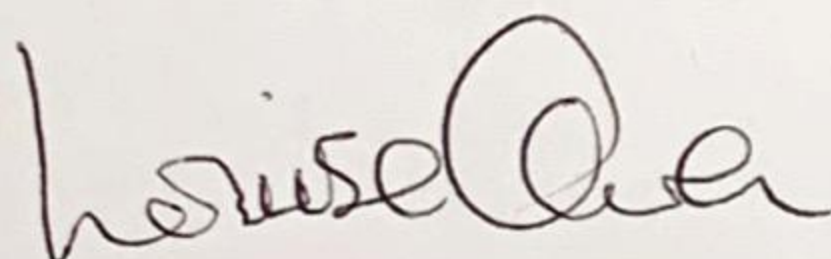
A. WATSON
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 17 to 36 form an integral part of these financial statements.

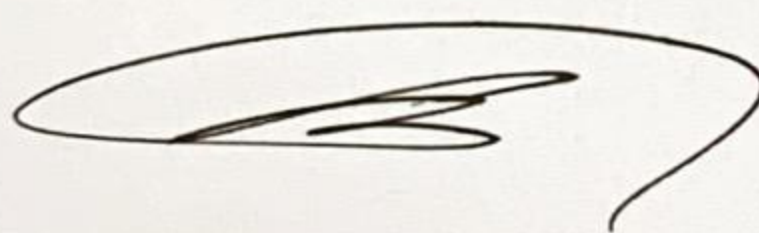
CHISEL LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

| | Notes | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-------|-----------------------------|-----------------------------|
| | | £ | £ |
| Fixed assets | | | |
| Housing Properties | 13 | 15,277,244 | 15,531,182 |
| Other Fixed Assets | 14 | 16,292 | 21,340 |
| Investment Property | 15 | 468,756 | 446,179 |
| | | <u>15,762,292</u> | <u>15,998,701</u> |
| Current assets | | | |
| Debtors | 16 | 146,473 | 118,248 |
| Cash and cash equivalents | | 672,191 | 626,748 |
| | | <u>818,664</u> | <u>744,996</u> |
| Less: Creditors: | | | |
| Amounts falling due within one year | 17 | (606,664) | (561,688) |
| Net current assets/(liabilities) | | <u>212,000</u> | <u>183,308</u> |
| Total assets less current liabilities | | <u>15,974,292</u> | <u>16,182,009</u> |
| Creditors: | | | |
| Amounts falling due after more than one year | 18 | (12,782,897) | (13,269,153) |
| Provisions for liabilities | | | |
| Pension- defined benefit liability | | (14,000) | (34,000) |
| Other | 19 | (27,473) | - |
| Total Net Assets | | <u>3,149,922</u> | <u>2,878,856</u> |
| Capital and reserves | | | |
| Share Capital | 20 | 66 | 66 |
| Revenue Reserves | | 3,109,760 | 2,861,271 |
| Revaluation Reserve | | 40,096 | 17,519 |
| Total Reserves | | <u>3,149,922</u> | <u>2,878,856</u> |

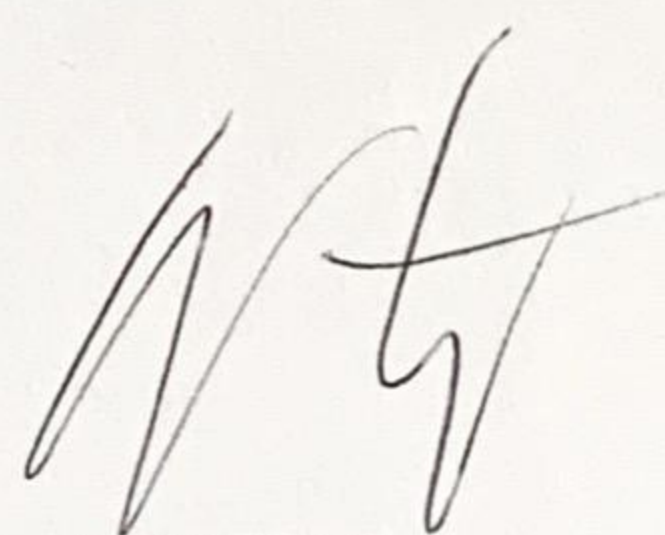
The financial statements on pages 13 to 36 were approved by the Board on 10/9/20 and were signed on its behalf by:



L. OWEN
Chair



J. LEACH
Treasurer



A. WATSON
Secretary

The notes on pages 17 to 36 form an integral part of these financial statements.

CHISEL LIMITED
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2020

| | Income and Expenditure Reserve £ | Revaluation Reserve £ | Total £ |
|---|---|-----------------------------|------------------|
| Balance as at 1 April 2018 | 2,580,969 | 17,519 | 2,598,488 |
| Surplus / (deficit) from Statement of Comprehensive Income | 280,302 | - | 280,302 |
| Balance at 31 March 2019 | 2,861,271 | 17,519 | 2,878,790 |
| Surplus / (deficit) from Statement of Comprehensive Income | 248,489 | 22,577 | 271,066 |
| Balance at 31 March 2020 | 3,109,760 | 40,096 | 3,149,856 |

The notes on pages 17 to 36 form an integral part of these financial statements.

Net change in cash and cash equivalents

Cash and cash equivalents at beginning of
the year

Cash and cash equivalents at end of the year

Note 1

Cash flow from operating activities

Surplus / (deficit) for the year

Adjustments for non-cash items:

Depreciation of tangible fixed assets

Decreases / (increases) in loans and other debtors

Increases / (decreases) in trade and other creditors

Increase / (decrease) in provisions

(Gains) / losses on investments

Adjustments for financing or investing activities:

Government grants (owed to the year)

Government grants deferred for funding and

interest payable

Dividends received

Proceeds / (repayments) of tangible fixed assets

Net cash generated from operating activities

The notes on pages 17 to 36 form an integral part of these financial statements.

CHISEL LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2020

| | Notes | Year ended 31 March 2020 £ | Year ended 31 March 2019 £ |
|--|-------|----------------------------------|----------------------------------|
| Net cash generated from operating activities (see Note i) | i | 411,071 | 499,207 |
| Cash flow from investing activities | | | |
| Purchase of tangible fixed assets | | (50,753) | (188,302) |
| Proceeds from sale of tangible fixed assets | | - | - |
| Purchase of investment property | | - | - |
| Interest received | | - | - |
| | | <u>360,318</u> | <u>310,905</u> |
| Cash flow from financing activities | | | |
| Interest paid | | (86,563) | (108,458) |
| Issue of ordinary shares | | - | 4 |
| Cancellation of shares | | - | (5) |
| Repayment of borrowings | | (228,312) | (216,892) |
| | | <u>(314,875)</u> | <u>(325,351)</u> |
| Net change in cash and cash equivalents | | 45,443 | (14,446) |
| Cash and cash equivalents at beginning of the year | | 626,748 | 641,194 |
| Cash and cash equivalents at end of the year | | <u>672,191</u> | <u>626,748</u> |

Note i

| | Year ended 31 March 2020 £ | Year ended 31 March 2019 £ |
|---|----------------------------------|----------------------------------|
| Cash flow from operating activities | | |
| Surplus / (deficit) for the year | 271,066 | 280,302 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 309,739 | 316,891 |
| Decrease / (increase) in trade and other debtors | (28,225) | 13,074 |
| Increase / (decrease) in trade and other creditors | (34,641) | (75,191) |
| Increase / (decrease) in provisions | 7,473 | 34,000 |
| (Gains) / losses on investments | (22,577) | - |
| Adjustments for investing or financing activities: | | |
| Government grants utilised in the year | (178,327) | (178,327) |
| Government grants amortised for property sold | - | - |
| Interest payable | 86,563 | 108,458 |
| Interest receivable | - | - |
| Proceeds from sale of tangible fixed assets | - | - |
| Net cash generated from operating activities | <u>411,071</u> | <u>499,207</u> |

The notes on pages 17 to 36 form an integral part of these financial statements.

CHISEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

LEGAL STATUS

CHISEL Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator for Social Housing as a Private Registered Provider of Social Housing. The registered office is 188a Brockley Road, SE4 2RL.

1. Principal Accounting Policies

Basis of Accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

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 2019. The accounts are prepared on the historical cost basis of accounting except for investment properties which are held at fair value, and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS 102, the Association transitioned from previous UK GAP to FRS 102 as at 1 April 2015.

As a public benefit entity, CHISEL Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Committee have considered the impact of COVID19 on its operations and have concluded that there is a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. No other significant concerns have been noted in the budget and business plan updated for 2019/20. Therefore, the Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future.

Turnover and revenue recognition

Turnover represents rental income receivable, service charges, amortised capital grants and amounts invoiced in respect of the provision of services. All turnover is accounted for on an accruals basis.

Rental income is recognised when the property is available for let, net of voids.

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation.

Freehold land is not depreciated.

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

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories. The following UELs are applied:

| Component | |
|---|-----------|
| Structure | 100 years |
| Structure – self build | 60 years |
| Roof | 60 years |
| Roofs grass –self build | 25 years |
| Electric heating | 40 years |
| Bathrooms, windows, doors and electrics | 30 years |
| Kitchens | 20 years |
| Boilers | 15 years |

CHISEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Principal Accounting Policies (continued)

Other Fixed assets

Other fixed assets are stated at cost. Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

| | |
|--------------------------------|---------|
| Office furniture and fittings | 3 years |
| Office equipment and equipment | 3 years |
| Motor vehicles | 3 years |
| Computer equipment | 3 years |

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

Grants from housing and other government grants

Where developments have been financed wholly or partly by grants from housing and other grants, the amount of the grant received and the cost included as deferred income are recognised in the profit and loss statement when the related asset is sold. The grant received is treated as income in the Statement of Comprehensive Income Account as part of revenue.

Grants from the Government, other than grants, if a property is sold, or if another relevant event occurs, shall be treated as income in the profit and loss statement when the related asset is sold. However, the grant received shall be treated as income in the profit and loss statement when the related asset is sold. If a grant is not required to be repaid, any unrepaid grant is recognised as income in the profit and loss statement when the related asset is sold. If a grant is required to be repaid, any unrepaid grant is recognised as income in the profit and loss statement when the related asset is sold.

Capitalisation of interest

Interest on the mortgage loan financing a development is capitalised up to the date of practical completion of the scheme. All costs incurred in the delivery of the development's developer are also capitalised.

Provisions

The Asset and liability provisions for contractual liability

Financial assets

Current asset financial assets include cash and cash equivalents held for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Investment Property

Investment property is land or buildings owned or held for the long-term benefit of the company. Investment property is measured at cost or fair value, whichever is the lower. The cost of an investment property includes the purchase price and any other costs incurred in bringing the property to the condition necessary for its intended use. The fair value of an investment property is determined by reference to the market value of the property at the reporting date. The fair value of an investment property is determined by reference to the market value of the property at the reporting date.

Leases

The leasehold interest in land is recognised as an asset. All assets are classified as the assets of the company.

Intangible assets

Intangible assets are recognised as an asset if they are identifiable and separable from the company. Intangible assets are measured at cost or fair value, whichever is the lower. The cost of an intangible asset includes the purchase price and any other costs incurred in bringing the asset to the condition necessary for its intended use. The fair value of an intangible asset is determined by reference to the market value of the asset at the reporting date.

CHISEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. Principal Accounting Policies (continued)

Other fixed assets

Other fixed assets are stated at cost. Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

| | |
|--------------------------------|---------|
| Office furniture and fittings | 3 years |
| Office furniture and equipment | 5 years |
| Motor vehicles | 3 years |
| Computer software | 3 years |

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

Social Housing and other government grants

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

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

Capitalisation of interest

Interest on the mortgage loan financing a development is capitalised up to the date of practical completion of the scheme. All costs incurred in the delivery of the Association's development programme are also capitalised.

Provisions

The Association only provides for contractual liabilities.

Investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Investment Property

Investment property includes commercial and other properties not held for the social benefit of CHISEL Limited. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. The valuation is inflated or discounted annually using the Land Registry House Price Index. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

VAT

The Association is not registered for VAT. All amounts disclosed in the accounts are inclusive of VAT.

Taxation

CHISEL was granted charitable status from 18 April 2005, by virtue of s.478 Corporation Tax Act 2010, the charitable company is exempt from Corporation Tax.

CHISEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. Principal Accounting Policies (continued)

Impairment

The Board has agreed that Impairment reviews are to be carried out on fixed assets whenever changes in circumstances indicate that the net book value may not be recoverable.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:

- a. All equity instruments regardless of significance; and
- b. Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- a. For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b. For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the Statement of Comprehensive Income immediately.

Pension costs and provision for pension debt liability

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

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. Further disclosures in this area are included in note 12.

Cyclical Repairs and Maintenance

The Association maintains its properties in accordance with a planned programme of works. No provision is made in the accounts for future works but actual costs incurred are charged in the income and expenditure account under the heading of planned maintenance.

Self-Build Premiums

Tenants who built their own properties are entitled to receive a premium payment when they end their tenancy. The amount of the premium depends on the costs incurred on the particular scheme which they built. From 1 April 2004 premium payments are charged in the Statement of Comprehensive Income as incurred.

CHISEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. Principal Accounting Policies (continued)

Revaluation Reserve

The revaluation reserve represents the difference of the fair value of the investment property and historical cost as at the purchase date, the movement each year is calculated and the difference posted to the revaluation reserve through the Statement of Comprehensive Income.

Financial instruments

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

Financial instruments held by the Association are classified as follows:

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

Judgements and key sources of estimation uncertainty

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

- a) **Categorisation of housing properties.** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.
- b) **Impairment.** The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

Other key sources of estimation and assumptions:

- a) **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- b) **Revaluation of investment properties.** The Association carries its investment property at fair value, with changes in fair value being recognised in profit and loss. The Association engaged independent valuation specialists to determine fair value at the purchase date, year ended 31 March 2017. The key assumptions used to determine the fair value of investment property are further explained in note 15.
- c) **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

2. Turnover, operating expenditure and operating surplus

| | 2020 | | |
|--------------------------------------|------------------|-------------------------------|---------------------------|
| | Turnover £ | Operating expenditure £ | Operating surplus £ |
| Social housing lettings (Note 3) | 1,521,831 | (1,222,471) | 299,360 |
| Activities other than social housing | | | |
| Market rents | 20,692 | - | 20,692 |
| Other Income | - | - | - |
| Total | 1,542,523 | (1,222,471) | 320,052 |
| <hr/> | | | |
| | 2019 | | |
| | £ | £ | £ |
| Social housing lettings (Note 3) | 1,555,331 | (1,221,422) | 333,909 |
| Activities other than social housing | | | |
| Market rents | 20,100 | - | 20,100 |
| Other Income | 1,879 | - | 1,879 |
| Total | 1,577,310 | (1,221,422) | 355,888 |

4. Accommodation owned, managed and in development

| | 2020 | | 2019 | |
|---------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| | No. of properties Owned | No. of properties Managed | No. of properties Owned | No. of properties Managed |
| Social Housing | | | | |
| Under management at end of year | | | | |
| General Housing | 225 | 20 | 225 | 20 |
| Non-Social Housing | | | | |
| Under management at end of year | | | | |
| Market Rent | 1 | - | 1 | - |

5. Cash (loss) on disposal of property, plant and equipment

| | 2020 | 2019 |
|---------------------|---------------|--------------|
| Proceeds of sale | 26,772 | 3,270 |
| Less: Costs of sale | - | - |
| Surplus | 26,772 | 3,270 |

3. Turnover and operating expenditure from Social Housing Lettings

| | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Income | | |
| Rent receivable | 1,292,526 | 1,330,769 |
| Service charge income | 50,978 | 46,235 |
| Amortised government grants | 178,327 | 178,327 |
| Turnover from Social Housing Lettings | 1,521,831 | 1,555,331 |
| Operating expenditure | | |
| Housing Management | 496,284 | 428,094 |
| Landlord Rent | 19,156 | 92,355 |
| Routine Maintenance | 225,515 | 203,428 |
| Programmed maintenance and revenue major repairs | 25,681 | 14,666 |
| Cyclical maintenance | 86,904 | 105,535 |
| Rent losses from bad debts | 22,208 | 24,224 |
| Services | 51,463 | 53,148 |
| Depreciation of housing properties | 295,260 | 299,972 |
| Operating expenditure on Social Housing Lettings | 1,222,471 | 1,221,422 |
| Operating Surplus on Social Housing Lettings | 299,360 | 333,909 |
| Void losses (being rental income lost as a result of property not being let, although it is available for letting) | 27,772 | 14,273 |

4 Accommodation owned, managed and in development

| | 2020 | | 2019 | |
|---------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| | No. of properties Owned | No. of properties Managed | No. of properties Owned | No. of properties Managed |
| Social Housing | | | | |
| Under management at end of year | | | | |
| General Needs housing | 225 | 29 | 225 | 29 |
| Non-Social Housing | | | | |
| Under management at end of year | | | | |
| Market Rent | 1 | - | 1 | - |
| | <u>226</u> | <u>29</u> | <u>226</u> | <u>29</u> |

5 Gain/ (loss) on disposal of property, plant and equipment

| | 2020 | 2019 |
|----------------------------------|----------|----------|
| | £ | £ |
| Proceeds of sale | - | - |
| Less: Costs of sale | - | - |
| Surplus | - | - |
| Capital Grant Recycled (note 24) | - | - |

6. Interest Receivable and similar income

| | 2020 £ | 2019 £ |
|---------------------|-----------|-----------|
| Interest Receivable | - | - |
| | <u>-</u> | <u>-</u> |

7. Interest Payable and Similar Charges

| | 2020 £ | 2019 £ |
|-----------------------------------|---------------|----------------|
| Interest payable on Housing Loans | 86,563 | 108,458 |
| | <u>86,563</u> | <u>108,458</u> |

8. Surplus/ (deficit) on ordinary activities

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| The operating surplus is stated after charging/(crediting): | | |
| Auditors remuneration (excluding VAT) | | |
| In their capacity as auditors | 8,110 | 6,725 |
| In respect of other services | 1,070 | 2,045 |
| Depreciation of Housing Properties | 295,260 | 299,971 |
| Depreciation of Other Fixed Assets | 14,479 | 16,920 |

In common with many organisations of our size and nature we use our auditors to assist with the preparation of the financial statements, as permitted under the FRC's Ethical Standard 2016 Section 6: Provisions Available for Audits of Small Audits.

9. Tax on Surplus/ (deficit) on ordinary activities

CHISEL was granted charitable status from 18 April 2005, by virtue of s.478 Corporation Tax Act 2010, the charitable company is exempt from Corporation Tax.

10. Directors' remuneration

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors | - | - |
| The aggregate emoluments paid to or receivable by executive Directors and former executive directors | - | - |
| The aggregate compensation paid to or receivable by Directors (key management personnel) | 102,673 | 42,068 |
| The emoluments paid to the highest paid Director excluding pension contributions | 38,839 | 38,244 |
| The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme | - | - |
| The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director | - | - |
| The aggregate amount of any consideration payable to Directors for loss of office | - | - |

No emoluments were paid to any Board member

The former Director Chief Executive was an ordinary member of the pension scheme. The pension scheme is a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the CHISEL of £3,447 (2019: £3,824) was paid in addition to the personal contributions of the Director.

11. Employee information

| | 2020 No. | 2019 No. |
|--|----------------|----------------|
| The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was: | | |
| Number | 6.33 | 6.83 |
| Full time equivalents | 4.0 | 4.6 |
| | 2020 £ | 2019 £ |
| Staff costs (for the above persons) | | |
| Wages and salaries | 248,944 | 186,335 |
| Social Security Costs | 21,988 | 15,451 |
| Other pension costs | 17,182 | 9,523 |
| | <u>288,114</u> | <u>211,309</u> |
| | No. | No. |
| Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period: | | |
| £60,000 - £70,000 | 1 | 1 |

12. Pension Obligations

The Pensions Trust – Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions ('TPT'). The accounting policy in relation to SHPS is set out on page 18.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

| | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| | (£000s) | (£000s) |
| Fair value of plan assets | 123 | 118 |
| Present value of defined benefit obligation | 137 | 152 |
| Surplus (deficit) in plan | (14) | (34) |
| Unrecognised surplus | - | - |
| Defined benefit asset (liability) to be recognised | (14) | (34) |
| Deferred tax | * | * |
| Net defined benefit asset (liability) to be recognised | * | * |

Reconciliation of the Impact of the Asset Ceiling

| | Period ended |
|---|---------------|
| | 31 March 2020 |
| | (£000s) |
| Impact of asset ceiling at start of period | - |
| Effect of the asset ceiling included in net interest cost | - |
| Actuarial losses (gains) on asset ceiling | - |
| Impact of asset ceiling at end of period | - |

12. Pension Obligations (continued)

Reconciliation of the Impact of the Asset Ceiling

| | Period ended |
|--|---------------|
| | 31 March 2020 |
| | (£000s) |
| Defined benefit obligation at start of period | 152 |
| Current service cost | - |
| Expenses | 2 |
| Interest expense | 3 |
| Contributions by plan participants | - |
| Actuarial losses (gains) due to scheme experience | 1 |
| Actuarial losses (gains) due to changes in demographic assumptions | (1) |
| Actuarial losses (gains) due to changes in financial assumptions | (15) |
| Benefits paid and expenses | (5) |
| Liabilities acquired in a business combination | - |
| Liabilities extinguished on settlements | - |
| Losses (gains) on curtailments | - |
| Losses (gains) due to benefit changes | - |
| Exchange rate changes | - |
| Defined benefit obligation at end of period | 137 |

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

| | Period ended |
|---|---------------|
| | 31 March 2020 |
| | (£000s) |
| Fair value of plan assets at start of period | 118 |
| Interest income | 3 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | - |
| Contributions by the employer | 7 |
| Contributions by plan participants | - |
| Benefits paid and expenses | (5) |
| Assets acquired in a business combination | - |
| Assets distributed on settlements | - |
| Exchange rate changes | - |
| Fair value of plan assets at end of period | 123 |

12. Pension Obligations (continued)

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £3,000.

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SOCl)

| | Period from 31 March 2019 to 31 March 2020 (£000s) |
|--|---|
| Current service cost | - |
| Expenses | 2 |
| Net interest expense | - |
| Losses (gains) on business combinations | - |
| Losses (gains) on settlements | - |
| Losses (gains) on curtailments | - |
| Losses (gains) due to benefit changes | - |
| Defined benefit costs recognised in statement of comprehensive income (SoCI) | 2 |

Defined Benefit Costs Recognised in Other Comprehensive Income

| | Period ended 31 March 2020 (£000s) |
|---|--|
| Experience on plan assets (excluding amounts included in net interest cost) - gain (loss) | - |
| Experience gains and losses arising on the plan liabilities - gain (loss) | (1) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss) | 1 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss) | 15 |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss) | 15 |
| Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss) | - |
| Total amount recognised in other comprehensive income - gain (loss) | 15 |

12. Pension Obligations (continued)

Assets

| | 31 March 2020 | 31 March 2019 |
|-------------------------------|---------------|---------------|
| | (£000s) | (£000s) |
| Global Equity | 18 | 20 |
| Absolute Return | 6 | 10 |
| Distressed Opportunities | 2 | 2 |
| Credit Relative Value | 3 | 2 |
| Alternative Risk Premia | 9 | 7 |
| Fund of Hedge Funds | - | 1 |
| Emerging Markets Debt | 4 | 4 |
| Risk Sharing | 4 | 4 |
| Insurance-Linked Securities | 4 | 3 |
| Property | 3 | 3 |
| Infrastructure | 9 | 6 |
| Private Debt | 2 | 2 |
| Opportunistic Illiquid Credit | 3 | - |
| Corporate Bond Fund | 7 | 5 |
| Liquid Credit | - | - |
| Long Lease Property | 2 | 2 |
| Secured Income | 5 | 4 |
| Over 15 Year Gilts | - | - |
| Liability Driven Investment | 41 | 43 |
| Net Current Assets | 1 | - |
| Total assets | 123 | 118 |

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

12. Pension Obligations (continued)

Key Assumptions

| | 31 March 2020 | 31 March 2019 |
|---|--------------------------|--------------------------|
| | % per annum | % per annum |
| Discount Rate | 2.48% | 2.28% |
| Inflation (RPI) | 2.68% | 3.30% |
| Inflation (CPI) | 1.68% | 2.30% |
| Salary Growth | 2.68% | 3.30% |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

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

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

13. Housing Properties

| | Housing Property Furniture and Fittings | Office Equipment | Computer Software | Total Housing Properties £ |
|--|--|---------------------|----------------------|----------------------------------|
| Cost | | | | |
| At 1 April 2019 | | | | 20,280,048 |
| Additions | | | | 41,322 |
| Disposals – components | | | | (30,879) |
| Disposals – property | 41,742 | (41,343) | (3,553) | - |
| At 31 March 2020 | 259 | 1,229 | 7,880 | 20,290,491 |
| Depreciation and impairment | | | | |
| At 1 April 2019 | 41,521 | 43,402 | 73,123 | 4,748,866 |
| Charge for the year | | | | 295,260 |
| Eliminated on disposal – components | 40,122 | 41,375 | 40,117 | (30,879) |
| Eliminated on disposal – property | 392 | 5,155 | 1,282 | - |
| At 31 March 2020 | 40,814 | 52,732 | 81,143 | 5,013,247 |
| Net Book Value | | | | |
| Net Book Value at 31 March 2020 | | | | 15,277,244 |
| Net Book Value at 1 April 2019 | | | | 15,531,182 |
| Net book value of housing properties comprise | | | | |
| Freehold | | | | 15,066,742 |
| Long Leasehold | | | | 210,502 |
| Works to existing properties in the year | | | | |
| Improvement works capitalised | | | | - |
| Components capitalised | | | | 41,322 |
| Amounts charged to expenditure | | | | 338,100 |

The aggregate amount of interest and finance costs included in the cost of housing properties is £Nil. The net book value of other fixed assets includes £Nil (2019: £Nil) in respect of assets held under finance leases.

Housing properties were valued at May 2019 by Best General practitioners valuing company. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors' valuation standards.

The carrying value of housing properties is based on the requirements of Annual Housing Price Index each year.

14. Other Fixed Assets

| | Housing Property Furniture and Fittings | Office Equipment | Computer Software | Total |
|------------------------------------|--|---------------------|----------------------|---------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April 2019 | 40,742 | 62,046 | 66,463 | 169,251 |
| Additions | 569 | 1,356 | 7,506 | 9,431 |
| Disposals | - | - | - | - |
| At 31 March 2020 | 41,311 | 63,402 | 73,969 | 178,682 |
| Depreciation and impairment | | | | |
| At 1 April 2019 | 40,122 | 47,976 | 59,813 | 147,911 |
| Charge for the year | 392 | 5,155 | 8,932 | 14,479 |
| Eliminated on disposal | - | - | - | - |
| At 31 March 2020 | 40,514 | 53,131 | 68,745 | 162,390 |
| Net Book Value | | | | |
| Net Book Value at 31 March 2020 | 797 | 10,271 | 5,224 | 16,292 |
| Net Book Value at 1 April 2019 | 620 | 14,070 | 6,650 | 21,340 |

15. Investment Property

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| At 1 April 2019 | 446,179 | 446,179 |
| Additions | - | - |
| Gain/(loss) from adjustment in valuation | 22,577 | - |
| At 31 March 2020 | 468,756 | 446,179 |

Investment properties were valued at May 2016 by Brett Gardner professional qualified external valuer. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

The change in valuation since then are based on the movements in Annual House Price Index each year.

16. Trade and other debtors

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Arrears of rent and service charges – tenants | 124,763 | 85,778 |
| Less: provision for bad debts | (69,325) | (39,072) |
| Arrears of rent and service charges – managed lettings | 1,530 | 2,445 |
| Less: provision for bad debts | (330) | (330) |
| Prepayments and accrued income | 28,998 | 24,226 |
| Other Debtors | 127,256 | 119,665 |
| Less: provision for other debtors | (66,419) | (74,464) |
| Debtors are all due within one year | 146,473 | 118,248 |

17. Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Trade Creditors | 25,707 | 60,331 |
| Housing Loans (note 18b) | 219,245 | 213,410 |
| Rents and service charges paid in advance – tenants | 43,726 | 51,753 |
| Rents and service charges paid in advance – managed lettings | 9,623 | 5,430 |
| Other taxation and social security | 837 | 6,210 |
| Deferred Capital Grant (Note 23) | 178,327 | 178,327 |
| Other Creditors and accruals | 55,417 | 46,227 |
| Recycled Capital Grant Fund (Note 24) | 73,782 | - |
| | 606,664 | 561,688 |

18. Creditors: amounts falling due after more than one year

| | 2020 £ | 2019 £ |
|---------------------------------------|-------------------|-------------------|
| Housing Loans (Note 18b) | 1,920,420 | 2,154,567 |
| Deferred Capital Grant (Note 23) | 10,862,477 | 11,040,804 |
| Recycled Capital Grant Fund (Note 24) | - | 73,782 |
| | 12,782,897 | 13,269,153 |

18b. Loan Analysis

| Loans repayable by instalments: | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Within one year (Note 17) | 219,245 | 213,410 |
| In one year or more but less than two years | 192,501 | 218,218 |
| In two years or more and less than five years | 474,794 | 557,961 |
| In five years or more | 1,253,125 | 1,378,388 |
| Total Loans | 2,139,665 | 2,367,977 |

19. Provision for Liabilities

The association recognises provisions and liabilities of uncertain timing or amounts. Provisions is made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the Statement of Financial Position date.

| | 2020 £ | 2019 £ |
|--------------------------|---------------|-----------|
| At beginning of the year | - | - |
| Increase in provision | 27,473 | - |
| Release of provision | - | - |
| At 31 March 2020 | <u>27,473</u> | <u>-</u> |

20. Non-equity share capital

| | 2020 £ | 2019 £ |
|--------------------------------|-----------|-----------|
| Allotted Issued and Fully Paid | | |
| At 1 April 2019 | 66 | 67 |
| Issued during the year | - | 4 |
| Cancelled during the year | - | (5) |
| | <u>66</u> | <u>66</u> |

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

21. Capital Commitments

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | - | - |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | - | - |
| | <u>-</u> | <u>-</u> |

Chisel expects these commitments to be finance by the cash balance.

22. Operating Leases

CHISEL holds office and scheme equipment under non-cancellable operating leases.

As at 31 March 2020 CHISEL had commitments of future minimum lease payments as follows:

| | 2020 £ | 2019 £ |
|---|---------------|----------------|
| Land and Buildings | | |
| In one year or more but less than two years | 16,000 | 16,000 |
| In two years or more and less than five years | 48,000 | 48,000 |
| In five years or more | - | 16,000 |
| Others: | | |
| In one year or more but less than two years | 300 | 300 |
| In two years or more and less than five years | 900 | 900 |
| In five years or more | 31,500 | 31,800 |
| | 96,700 | 113,000 |

23. Contingent Liabilities

Self-Build Premiums

Tenants who build their own properties are entitled to receive a premium when they end their tenancy. At 31 March 2020 there were 22 such tenancies and the potential liability at that date was £131,788 (2019 £129,841). Premium payments are charged in the statement of comprehensive income as incurred in accordance with the accounting policy.

24. Related Parties

The following are related parties:

CHISEL supports tenant involvement and as part of this commitment, up to one third of the Board may be tenants of CHISEL. Through the self-build programme CHISEL has issued tenancies that have premiums payable on surrender of the tenancy with vacant possession. The amounts of the premiums vary and can be several thousand pounds. During the year to 31 March 2020 only the Chair of the Board, Louise Owen, had a self-build tenancy, but no premium payments were made in any Board member's tenancy year 2019/20.

The Board has tenant members who hold tenancy agreements on normal terms and charges use their cottages to their advantage. Rent charged to the tenant Board members during the year was £15,150 (2019: £11,677). Amounts on their tenancy at the reporting period end were £255 (2019: £440).

Related party balances are not entered.

24. Deferred Capital Grant

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| At 1 April 2019 | 11,219,131 | 11,397,458 |
| Grant received in the year | - | - |
| Released to Income in the year | (178,327) | (178,327) |
| Recycled Capital Grant | - | - |
| Grant amortised for property sold | - | - |
| At 31 March 2020 | 11,040,804 | 11,219,131 |
| Amount due to be released < 1 year | 178,327 | 178,327 |
| Amount due to be released > 1 year | 10,862,477 | 11,040,804 |
| The total accumulated government grant | 11,040,804 | 11,219,131 |
| The total accumulated government grant and financial assistance received or receivable at 31 March: | 14,904,138 | 14,904,138 |

25. Recycled Capital Grant Fund

| | 2020 £ | 2019 £ |
|--------------------|---------------|---------------|
| At 1 April | 73,782 | 73,782 |
| Grant recycled | - | - |
| At 31 March | 73,782 | 73,782 |

26. Related Parties

The following are related parties:

Chisel supports tenant involvement and as part of this commitment, up to one third of the Board may be tenants of Chisel. Through the self-build programme Chisel has issued tenancies that have premiums payable on surrender of the tenancy with vacant possession. The amounts of the premiums vary and can be several thousand pounds. During the year to 31 March 2020 only the Chair of the Board, Louise Owen, held a self-build tenancy, but no premium payments were made to any Board member in the financial year 2019-20.

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the tenant Board members during the year was £15,156 (2019: £11,677). Arrears on their tenancy at the reporting period end were £555 (2019: £449).

Related party balances are not secured.

27. Financial Instruments

The Association's financial instruments may be analysed as follows

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Financial Assets | | |
| Financial Assets Measured at Fair Value | | |
| Investment Property | 468,756 | 446,179 |
| Financial Assets Measured at Amortised Cost | | |
| Rent and Service Charge Debtors | 56,638 | 48,821 |
| Other Debtors | 89,835 | 69,427 |
| Cash and Cash Equivalents | 672,191 | 626,748 |
| Total Financial Assets | 1,287,420 | 1,191,175 |
| Financial Liabilities | | |
| Financial Liabilities Measured at Amortised Cost | | |
| Trade Creditors | 25,707 | 57,173 |
| Other Creditors | 56,254 | 52,437 |
| Housing Loans Payable | 2,139,665 | 2,367,977 |
| Total Financial Liabilities | 2,221,626 | 2,477,587 |

28. Legislative Provisions

The Association is registered under the Co-operative and Community Benefit Societies Act 2014. (The status of the Association is as a "Registered Society").

29. TRANSITION TO HOUSING SORP 2018 UPDATE

There has been no effect on reserves following the adoption of the Housing SORP: 2018 from the Housing SORP: 2014 for the comparative year to 31 March 2019.

30. ANALYSIS OF CHANGES IN NET DEBT

| | At 1 April 2019 £ | Cash Flows £ | Non-Cash Movements £ | At 31 March 2020 £ |
|----------------------------------|-------------------------|-----------------|----------------------------|--------------------------|
| Cash and Cash Equivalents | 626,748 | 45,443 | - | 672,191 |
| Housing Loans Due in One Year | (213,410) | 213,410 | (219,245) | (219,245) |
| Housing Loans Due After One Year | (2,154,567) | - | 234,147 | (1,920,420) |
| | <u>(1,741,229)</u> | <u>258,853</u> | <u>14,902</u> | <u>(1,467,474)</u> |