NOTTINGHAM COMMUNITY HOUSING ASSOCIATION

Pelham Homes Limited

Financial Statements for the year ended 31 March 2021

Contents

Board Members, Professional Advisors and Bankers

Board:

Chair
Michael Anthony Khouri Bent MCIH, IPSM, DipIRM, IAM

Members
Lucy Ann Dadge BA, DAM, MBA, FRICS
Gordon Fisher (retired 2 September 2020)
Paul Casey BA MCIH (retired 28 July 2021)
Paul Moat DMS, MBA, MRICS, BSc (Hons)
Allan Fisher BSc (Hons), PG (DIP), MSc
Gary Reynolds (appointed 2 September 2020)
Donna Edwards (appointed 2 September 2020)

Company Secretary
Naomi Dobraszczyc BA (Hons) ACA

External Auditors:
Beever and Struthers
Chartered Accountants and Statutory Auditor
St. George's House
215 – 219 Chester Road
Manchester
M15 4JE

Solicitors:
Freeths LLP
Cumberland Court
80 Mount Street
Nottingham
NG1 6HH

Bankers:
Lloyds Bank plc
PO Box 72
Bailey Drive
Gillingham
Kent
ME8 0LS

Registered Office:
12/14 Pelham Road
Sherwood Rise
Nottingham
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Report of the Board

The Board presents its report and audited financial statements for the year ended 31 March 2021.

Legal structure and activities

Pelham Homes Limited ("the Company") was registered with Companies House as Lets Select Limited under the reference 05184359 on 21 July 2004 and changed its name on 23 August 2017. The company is a wholly owned subsidiary of Nottingham Community Housing Association Limited, which operates within the East Midlands and its head office is in Nottingham.

The Company's principal activities are:
- development and sales of residential properties;
- provision of property related services.

Performance for the year

The Statement of Comprehensive Income shows an operating profit for the year of

£49k (2020 - £57k).

After interest and distributions from jointly controlled entities the company made a profit before taxation of

£189k (2020 - £333k).

The Company owned two shared equity properties for the whole of the financial year.

Board Members and Directors

The Board Members of the Company are set out on page four. The Board Members are drawn from a wide background bringing together professional, commercial and local experience. The Board is responsible for managing the affairs of the Company and meets on a regular basis to review the Company's performance and future development strategies.

None of the directors hold any shares in the Company.

Auditors

The Company is currently re-tendering its statutory audit service and will propose a resolution to appoint the preferred bidder in accordance with the requirements of the Companies Act 2006.

Events after the end of the accounting period

We consider that there have been no events since the financial year end which have had a material effect on the financial position of Pelham Homes Limited.

Going concern

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Statement of Directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) make judgements and estimates that are reasonable and prudent;

(iii) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that:

(i) there is no relevant audit information of which the Company's auditors are unaware; and

(ii) they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the Board of directors on 14 July 2021 and is signed on their behalf by:

Michael Anthony Khouri Bent
Chairman

Report of the Independent Auditor to the members of Pelham Homes Limited

Opinion

We have audited the financial statements of Pelham Homes Limited ('the company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income and Retained Earnings, the Statement of Financial Position 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 FRS 102 Section 1A "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit 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 Companies Act 2006.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of Directors'

As explained more fully in the Directors' Responsibilities Statement, set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company 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 website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act 2006, tax legislation and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws relating to taxation matters.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Sue Hutchinson FCCA (Senior Statutory Auditor)
For and on behalf of
Beever and Struthers
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 27th August 2021

Statement of Comprehensive Income

Statement of Comprehensive Income

For the year ended 31 March 2021		2021	2020
	Note	£'000	£'000
Turnover	1(d),2	**1,706**	**4,011**
Operating costs	2	(1,027)	(742)
Cost of sales	2	(589)	(3,183)
Gross profit		**90**	**86**
Administration expenses		(41)	(29)
Operating profit		**49**	**57**
Distributions from jointly controlled entities	5	-	3
Interest receivable	6	329	273
Interest payable and similar charges	7	(18)	-
Gift Aid	8	(171)	-
Profit on ordinary activities before taxation		**189**	**333**
Tax (charge) on profit at 19%	10	(64)	(70)
Tax relief in respect of Gift Aid	10	34	33
Profit on ordinary activities after taxation		**159**	**296**
Revaluation of investment properties	11	10	-
Total comprehensive income for the year		**169**	**296**

All of the activities of the Company are classed as continuing.

The notes on pages 21 – 38 form part of these financial statements.

Statement of Financial Position

Statement of Financial Position

As at 31 March 2021		2021	2020
	Note	£'000	£'000
Fixed Assets			
Investment properties	1(j),11	62	52
Investment in jointly controlled entities	1(l),12	1,964	1,964
Total fixed assets		**2,026**	**2,016**
Current Assets			
Stock of properties for sale	13	1,635	763
Debtors	14	5,954	5,086
Cash at bank and in hand		322	1,062
Sub total		**7,911**	**6,911**
Creditors			
Amounts falling due within one year	15	(583)	(590)
Net current assets		**7,328**	**6,321**
Total assets less current liabilities		**9,354**	**8,337**
Creditors: amounts falling due after more than one year	16	**(500)**	**-**
Provision for liabilities	18	**(348)**	**-**
Net assets		**8,506**	**8,337**
Capital and reserves			
Called-up equity share capital	17	2,000	2,000
Revenue reserve		6,506	6,337
Total		**8,506**	**8,337**

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 13 to 38 were approved and authorised for issue by the Board of directors on 14 July 2021 and are signed on behalf of the Board by:

Michael Anthony Khouri Bent
Chairman

Naomi Dobraszczyc
Secretary

Company Registration Number: 05184359

Statement of Changes in Equity

Statement of Changes in Equity

For the year ended 31 March 2021	Called-up equity share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 April 2019	**2,000**	**6,041**	**8,041**
Total comprehensive income for the year	-	296	296
At 1 April 2020	**2,000**	**6,337**	**8,337**
Total comprehensive income for the year	-	169	169
At 31 March 2021	**2,000**	**6,506**	**8,506**

Statement of Cash Flows

Statement of Cash Flows

For the year ended 31 March 2021	2021	2020
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	159	296
Adjustments for:		
Interest receivable	(329)	(273)
Interest payable and similar charges	18	-
Profit share from jointly controlled entities	-	(3)
Changes in:		
Stock of houses for sale	(809)	1,165
Loan to jointly controlled entity	100	(4,400)
Trade and other debtors	(403)	266
Trade and other creditors	(23)	(761)
Cash generated from operations	**(1,287)**	**(3,710)**
Interest paid	(3)	-
Interest received	50	20
Profit share from jointly controlled entities	-	3
Net cash from operating activities	**(1,240)**	**(3,687)**
Cash flows from investing activities		
Investment in jointly controlled entities	-	(537)
Proceeds from sale of investment properties	-	85
Net cash from investing activities	**-**	**(452)**
Cash flows from financing activities		
Loan received	500	-
Refund from parent for Money Market investment	-	2,000
Net cash from financing activities	**500**	**2,000**
Net (decrease)/in cash and cash equivalents	**(740)**	**(2,139)**
Cash and cash equivalents at beginning of year	**1,062**	**3,201**
Cash and cash equivalents at end of year	**322**	**1,062**

Notes to the Financial Statements

Notes

1. Principal accounting policies

The Company is registered under the Companies Act.

(a) Basis of accounting

The Company's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP).

The accounts are prepared on the historical cost basis of accounting except as modified by the revaluation of investment properties measured at fair value through the Statement of Comprehensive Income and are presented in rounded thousand pounds sterling.

The Company's financial statements have been prepared in compliance with FRS102.

(b) Going concern

The Company's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. During the year, the impact of coronavirus was closely monitored. The key risks for the Company were in relation to government restrictions affecting the continuation of construction sites and wider economic risks in relation to the housing market. The shut down in construction did result in some delay to development. However, this was a timing issue which has not impacted overall scheme viability or business plan performance as a whole. The Company exceeded its sales targets in the year and the regional housing market is very strong. The Company's budget and business plan have been approved by its Board and demonstrate good headroom within existing loan agreements and resilience against a range of identified risks and stresses. There are no post Balance Sheet events.

(c) 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 date of the Statement of Financial Position and the amounts reported for revenue and expenses during the financial year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:-

Recoverability of investments in jointly controlled entities

The Company has assessed the recoverability of its development joint venture investments at Pelham Waterside and Pelham Waterside Two. This assessment has been made with reference to latest scheme appraisal and available sales data for these developments. Management have concluded that the investment amounts are fully recoverable. The Company has assessed the recoverability of its training joint venture in Three Together. This assessment has been made with reference to latest actual financial performance and approved forecasts for its operational training subsidiary Access Training. An independent valuation of Access Training was undertaken in 2019 and performance remains consistent with the assumptions on which this was based. Management have concluded that the investment amount is fully recoverable.

Notes

1. Principal accounting policies (continued)

(c) Judgements and key sources of estimation uncertainty (continued)

Valuation of stock

The Company is holding stock under construction in relation to its active development sites. The valuation of the stock has been reviewed with reference to latest scheme appraisals for the developments. This review has concluded that the valuation of stock is supported.

Recognition and valuation of provisions

The Company recognises provisions in accordance with its stated accounting policy. In recognising its current provision, management have judged that a constructive obligation exists at the reporting date due to a past event. In valuing this provision management have relied upon tendered costs for remedial work and associated lease arrangements relating to the apportionment of these works.

Recognition of linked income assets associated with provisions

The Company recognises linked income assets when it is considered by management to be virtually certain that these will be realised. In recognising its current linked income asset, management have judged that the related application to the government's cladding remediation fund coupled with associated lease arrangements relating to service charges provide virtual certainty that this income will be realised.

(d) Turnover and revenue recognition

Turnover represents rental income (less loss of rent due to voids) and other charges receivable, outright sales of properties and other income and is recognised in relation to the period when the goods and services have been supplied.

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

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

e) Service charges

Service charge income and costs are recognised on an accruals basis. The Company operates both fixed and variable service charges annually on a scheme-by-scheme basis in full consultation with the residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to the residents by a reduced charge and a deficit being recovered by future higher charges. Until these are returned they are held as service charge creditors in the Statement of Financial Position £239k (2019/20 - £218k) (see note 15). Where they are due to be recovered they are held as service charge debtors in the Statement of Financial Position.

(f) Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Notes

1. Principal accounting policies (continued)

(g) Provision for bad debts

A provision for debts becoming irrecoverable is made against 100% of former tenant arrears and 50% of current tenant arrears for all customers more than six weeks in arrears.

No provision is made against Shared Ownership arrears as it is assumed that action will be taken to recover arrears against the owner's equity in the property in the event of significant levels of arrears.

Provisions are made against all other debts, 50% of arrears over three months old and 100% of arrears over six months old.

(h) Corporation Tax

Tax will be payable at 19% (2019/20 - 19%) on any taxable profits for the year.

(i) Value Added Tax (VAT)

The Company is a member of the VAT group 859 7959 34. Although the Company is registered for VAT, most of its activities are exempt. It charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in these accounts are inclusive of VAT to the extent that it is suffered by the Company and is irrecoverable.

(j) Investment properties

We have been closely monitoring sales which result in the revaluation. Prior to the end of the 2020/2021 financial year Pelham Homes agreed to the sale of its' share of one of the two identical shared equity properties in April 2021.

Any changes in fair value are recognised in the Statement of Comprehensive Income.

(k) Shared ownership and shared equity properties

The costs of shared ownership and shared equity properties are split between current and fixed assets on the basis of the first tranche portion (see notes and 13 below). The first tranche portion is accounted for as a stock current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as an investment property fixed asset and subsequent sales treated as sales of fixed assets.

Notes

1. Principal accounting policies (continued)

(l) Fixed asset investments

Valuation of investments in jointly controlled entities are measured at cost less accumulated impairment.

The Company has investments in four other organisations, namely:

- PITCH LLP which is a joint venture company providing development services to other organisations. No financial consideration was made from Pelham Homes Ltd upon creating the joint venture company.
- Three Together is jointly owned with another housing association and owns a training company, Access Training Ltd, which provides training services. The partners provided a loan to Three Together to purchase Access Training Ltd. The loan from Pelham Homes Limited to Three Together to purchase Access Training is their investment therein.
- Pelham Waterside LLP is a joint venture company developing properties for sale.
- Pelham Waterside Two LLP is also a joint venture company developing properties for sale.

The Company's profits generated by, and returns on investments from, these organisations is recognised on a received basis and shown in the Statement of Comprehensive Income in other operating income. To date only PITCH has made a distribution to its investors.

Any gains and losses on re-measurement are disclosed in the Statement of Comprehensive Income for the period.

Notes

1. Principal accounting policies (continued)

(m) Properties held for sale

Properties developed for outright sale are included in the Statement of Financial Position in current assets as they are intended to be sold, at the lower of cost or estimated selling price after costs to complete and then sell.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

At each reporting date properties held for sale are assessed for impairment. If there was evidence of impairment the carrying value would be reduced to the selling price after costs to complete and sell. The impairment would be recognised immediately in the Statement of Comprehensive Income.

The valuation of the other properties held in stock in the 2020/21 accounts is determined by review of market conditions. Any changes in fair value are recognised in the Statement of Comprehensive Income.

(n) Short-term debtors and creditors

Debtors and creditors without any stated interest terms which are receivable or payable within one year are recorded at the transaction price. Should any losses be incurred as a result of impairment, these would be immediately recognised as other operating expenses in the Statement of Comprehensive Income.

(o) Provisions

The Company recognises a provision where:
- it has an obligation at the reporting date as a result of a past event;
- it is probable that it will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

(p) Management costs

No staff are employed by the Company. The Company pays a management fee to its parent company, Nottingham Community Housing Association for the:

- management and maintenance administration of the leasehold properties;
- provision of accounting services;
- provision of other services.

This fee is based on the level of service provided, calculated consistently with other members of the NCHA Group.

Notes

1. Principal accounting policies (continued)

(q) Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal.

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS102 are measured at cost less impairment.

We have treated the intercompany loan as a basic financial instrument. There are no contractual provisions that could result in the parent company (the lenders) losing the principal amount or any interest attributable to the current period or prior periods.

Financial instruments held by the company are classified as follows:

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

ii. Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;

iii. Loans to or from the related companies are held at amortised cost using the effective interest method.

(r) Maintenance funds held for residents

Reserves Funds are set aside to cover the costs of both internal and external redecorations every few years and other major works to the communal areas. These sums have been deposited in a trust bank account administered by Nottingham Community Housing Association Limited.

Notes

2. Turnover, operating costs, cost of sales and gross profit/(loss)

	2021				2020			
	Turnover	Operating costs	Cost of sales	Gross profit/ (loss)	Turnover	Operating costs	Cost of sales	Gross profit/ (loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Lettings	1	(2)	-	(1)	-	2	-	2
Shared ownership and leasehold: rents and service charges	530	(542)	-	(12)	149	(149)	-	-
Property sales	700	-	(589)	111	3,235	-	(3,183)	52
Pelham Architects	378	(384)	-	(6)	410	(377)	-	33
Camberley Builders	97	(99)	-	(2)	132	(131)	-	1
Disposal of fixed assets (note 4)	-	-	-	-	85	(87)	-	(2)
Total	**1,706**	**(1,027)**	**(589)**	**90**	**4,011**	**(742)**	**(3,183)**	**86**

3. Operating profit

This is arrived at after charging:	2021	2020
	£'000	£'000
Auditors remuneration (including VAT):		
for audit services	7	6
for non-audit services	1	1
Maintenance fee paid to the parent company (including maintenance management)	84	108
Management fee paid to the parent company	127	124
Design fee paid to the parent company	335	369

4. Asset disposals

	2021	2020
	£'000	£'000
Proceeds from asset sales	-	85
Cost of sales	-	(87)
Total	**-**	**(2)**

5. Distributions from jointly controlled entities

	2021	2020
	£'000	£'000
Distribution of profits from joint venture PITCH	-	3
Total	**-**	**3**

The above investment is in the PITCH LLP in which Pelham Homes Limited has an interest. The other party to the joint venture is Longhurst Group Ltd. PITCH LLP made a surplus in 2018/19, the company's share of which is £3k, paid during the year 2019/20.

Notes

6. Interest receivable

	2021	2020
	£'000	£'000
Pelham Waterside loan	266	131
Interest on Money Market investment	-	29
Bank interest receivable	-	10
Notional interest from developments	63	103
Total	**329**	**273**

7. Interest payable and similar charges

	2021	2020
	£'000	£'000
Intercompany loan	18	-
Total	**18**	**-**

8. Gift Aid

In line with Company Strategy, Gift Aid of 50% of taxable profits will be paid to NCHA, amounting to £180k (2020 - £171k). This will be paid in 2021/22 and will be accounted for in that period. The tax relief derived from this Gift Aid is included in the estimate of Corporation Tax payable for 2020/21 (see note 10.)

9. Ultimate controlling party, staff costs and directors' emoluments

The ultimate parent is Nottingham Community Housing Association Limited, incorporated in England, owning all the shares and controlling the composition of the Board of Management. Its accounts are available from the registered office detailed on page four. The Company is a subsidiary of that body.

Pelham Homes Limited is part of NCHA group.

Nottingham Community Housing Association Limited (NCHA) is registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing. It was first registered on the 22 March 1973 for the benefit of the community. NCHA operates mainly within the East Midlands and has three regional offices and a number of satellite offices across the East Midlands. Its head office is in Nottingham.

NCHA's principal activities are the management, maintenance, improvement and development of social housing together with the provision of Care and Support services for those people within communities across the East Midlands with additional needs.

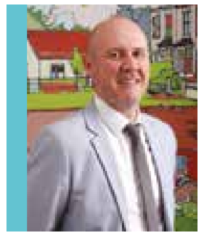
Notes

9. Ultimate controlling party, staff costs and directors' emoluments (continued)

The Company employs no staff. Instead, services are secured from the ultimate parent. The key employees of the ultimate parent are its Executive Team:

Paul Moat DMS, MBA, MRICS, BSc (Hons)
Chief Executive

- The NCHA Group Leadership
- Corporate Governance
- Risk
- Health and Safety



Allan Fisher BSc (Hons), PG (DIP), MSc
Director of Development and Assets

- Development
- Sales
- Asset Management
- Maintenance

Holly Dagnall BA (Hons), PG (DIP), MSc
Director of Homes and Wellbeing

- Affordable Social Housing
- Sub Market Rent
- Shared Ownership
- Care and Support
- Almshouse Charities

Naomi Dobraszczyc BA (Hons) ACA
Director of Finance and Resources

- Finance
- Human Resources
- Technology and Transformation
- Marketing Communications

The directors of NCHA are the key management personnel of the Company. They receive no payment for their role in the Company.

The Company purchases management and financial services from NCHA. These services include the handling and settling of the majority of Pelham Homes Limited invoices on behalf of the Company, and NCHA recharges the Company for the invoiced amount as summarised in Note 20.

The Company's board is outlined on page four. Payments were made to four independent board members totalling £15k (2020 - £14k to three board members) in the year.

Notes

10. Taxation

Corporation tax is payable at 19% (2020 - 19%) on profits retained. The tax liability of £30k represents a charge of £34k for 2021 (after allowing tax relief of £34k on the proposed Gift Aid) less a refund of £4k for 2020 as a result of the subsequent computation (2020 - £37k.)

11. Investment properties held for letting

	2021	2020
	£'000	£'000
At Valuation:		
At 1 April	**52**	**137**
Revaluation	10	-
Disposals	-	(85)
At 31 March	**62**	**52**

As at 31 March 2021 and 2020 Shared Equity properties accounted for 100% of the value.

Pelham Homes' share in one of the two properties was sold in April 2021 indicating the requirement for the revaluation.

11b. Investment properties

	2021	2020
	£'000	£'000
Freeholds	62	52
Leaseholds	-	-
Total	**62**	**52**

Notes

12. Investment in jointly controlled entities

	2021	2020
	£'000	£'000
Three Together Limited	397	397
Pelham Waterside LLP	1,030	1,030
Pelham Waterside Two LLP	537	537
Total	**1,964**	**1,964**

13. Stock of properties for sale

	2021	2020
	£'000	£'000
Properties under development	1,635	763
Total	**1,635**	**763**

14. Debtors

	2021	2020
	£'000	£'000
Loan due from Pelham Waterside LLP	4,600	4,700
Other amount due from Pelham Waterside LLP	367	148
Amount due from Pelham Waterside Two LLP	366	133
Amount due from PITCH LLP	22	19
Other debtors	599	86
Total	**5,954**	**5,086**

Notes

15. Creditors: Amount falling due within one year

	2021	2020
	£'000	£'000
Rent in advance	15	7
Amount due to parent undertaking	261	103
Other creditors and accruals	34	230
Maintenance funds held for residents	239	218
Taxation	34	32
Total	**583**	**590**

16. Creditors: Amount falling due after more than one year

	2021	2020
	£'000	£'000
Intercompany loan with parent undertaking	500	-
Total	**500**	**-**
Loans are repayable as follows:		
Between two and five years	500	-
Total	**500**	**-**

An intercompany loan facility of up to £18m has been set up from NCHA, to be drawn and repaid as Pelham Homes' requirements fluctuate. It is secured by mortgage debenture fixed and floating charges over all present and future assets of the Company, and is repayable in full on 30 June 2025. Interest rates vary between 2.9% and 6.6%.

Notes

17. Called-up equity share capital

	2021	2020
	£'000	£'000
Authorised share capital		
2,000,100 Ordinary shares of £1 each at the end of the year	2000	2000
Allotted and fully paid		
2,000,100 Ordinary shares of £1 each at the end of the year	2000	2000

18. Provision for liabilities

	2021	2020
	£'000	£'000
At beginning of year	-	-
Increase in provision due to major works obligation	348	-
At end of year	**348**	**-**

The provision is required in respect of works to replace cladding which represent a constructive obligation. The works have been identified due to inspections undertaken in the year.

Notes

19. Capital commitments

	2021	2020
	£'000	£'000
Capital expenditure that has been contracted for, but has not been provided for in the financial statements	1,258	8
Capital expenditure that has been authorised by the Board, but has not yet been contracted for	4,727	70
Investment in jointly controlled entity (Pelham Waterside LLP) that has been contracted for, but has not been provided for in the financial statements	722	3,705
Investment in jointly controlled entity that has been authorised by the Board, to fund capital expenditure that has not yet been contracted for	3,850	3,574
Total	**10,557**	**7,357**
The Company expects to finance the expenditure above by:		
Sales proceeds	5,985	78
Distribution from jointly controlled entities (Pelham Waterside LLP and Pelham Waterside Two LLP), resulting from sales proceeds	4,572	7,279
Total	**10,557**	**7,357**

20. Related parties and investments

Pelham Homes Limited is part of NCHA group and purchases management and financial services from NCHA. These services include the handling and settling of the majority of Pelham Homes Limited invoices on behalf of the Company, and NCHA recharges the Company for the invoiced amount.

The transactions that have occurred between the two organisations are as follows:

	2021	2020
	£'000	£'000
Loan interest	18	-
Management fee	127	124
Design fee	335	369
Maintenance fee	84	108
Property sales	700	195

Notes

20. Related parties and investments (continued)

The intercompany loan of up to £18m is secured by a security trust deed over all present and future assets of Pelham Homes Limited. Interest rates vary between 2.9% and 6.6%. The management fee is determined by an intercompany Service Level Agreement agreed by both Boards. The design fee and maintenance fee are determined by the works carried out. The property sales during 2020/21 relate to one development of four houses that were originally planned to be sold outright but it was subsequently decided to sell them to NCHA, to be occupied by shared ownership leaseholders.

The company has investments in four jointly controlled entities.

PITCH LLP is a joint venture company and is jointly owned, 50% Pelham Homes and 50% Longhurst Group Ltd which provides development services to other organisations. PITCH distributed a surplus of £nil in the year (2020: £3k).

Three Together Limited is a company limited by guarantee jointly owned, 50% Pelham Homes and 50% Futures Housing Group. During 2016/17 Pelham Homes increased its stake in the company from 33.3%, acquiring the share formerly held by Acclaim Housing Group, at a cost of £30k. Three Together Limited purchased Access Training (East Midlands) Ltd on 28 February 2014. Pelham Homes issued a loan of £367k to Three Together Limited to fund the purchase, which remains outstanding as at 31 March 2021 and is held as a fixed asset investment. No distribution has been made to Pelham Homes Limited for the year ended 31 March 2021.

Pelham Waterside LLP is a joint venture company developing properties for sale and is jointly owned by Pelham Homes and Langar Investments Limited. On 30 October 2017 land to the value of £1.87m was transferred to Pelham Waterside in the proportion 55% Pelham Homes and 45% Langar Investments. The investment is split in the same proportions. Separately Pelham Homes Limited have made loan payments to Pelham Waterside of £4.6m.

Pelham Waterside Two LLP is a joint venture company developing properties for sale and is jointly owned by Pelham Homes and Purecourt Limited. On 28 June 2019 land to the value of £976k was transferred to Pelham Waterside Two in the proportion 55% Pelham Homes and 45% Purecourt. The investment is split in the same proportions.

Notes

21. Financial instruments

	2021 £'000	2020 £'000
Assets measured at amortised cost:		
Investment in jointly controlled entities	1,964	1,964
Loan to jointly controlled entity	4,600	4,700
Trade debtors	599	86
Cash at bank and in hand	322	1,062
Total	**7,485**	**7,812**
Liabilities measured at amortised cost:		
Loan	500	-
Trade creditors	34	230
Total	**534**	**230**

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An electronic version of this report can be found on our website, www.ncha.org.uk

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