

Curo Group (Albion) Ltd.

Annual Report and Financial Statements
Year ended 31 March 2022

Registered Society with Financial Conduct Authority 7945
Regulator of Social Housing registration number LH4336



Curo Group (Albion) Ltd.

Year ended 31 March 2022

Contents

	Page
Board, executive officers and advisors	1
Report of the Board	3
Group Strategic report	9
Independent auditors' report	22
Consolidated and company statements of comprehensive income	25
Consolidated and company statements of financial position	26
Consolidated and company statements of changes in equity	27
Consolidated statement of cash flows	28
Notes to the financial statements	29

Curo Group (Albion) Ltd.

Board, Executive Officers and Advisors

Non-Executive Directors

Elizabeth Potter (Chair)

Elaine Barnes

Rick de Blaby

Resigned 9 November 2021

Chris Wilson

Helen Hyde

Resigned 31 July 2021 (remains on Board of Curo Places as independent member)

Michael Petter

Neil Sexton

Appointed 1 June 2022

Joe Webster

Appointed 1 June 2022

Executive Directors

Victor da Cunha

Simon Gibbs

Executive Officers

Victor da Cunha

Group Chief Executive

Simon Gibbs

Executive Director – Finance & Strategy

Paul Harris

Executive Director – Customer Experience

Julie Evans

Executive Director – Property Services

Secretary

Katherine Gullon

Board, Executive Officers and Advisors (continued)

Registered Office	The Maltings River Place Lower Bristol Road Bath BA2 1EP Tel: 01225 366000
Group Members	Curo Group (Albion) Ltd. Curo Places Ltd. Curo Choice Ltd. Curo Enterprise Ltd. (08103621) Curo Market Rented Services Ltd. (4705482) Mulberry Park Community Benefit Society Curo Finance Ltd. (13596265)
Solicitors	Anthony Collins Solicitors LLP Devonshires LLP Geldards LLP
Bankers	Barclays Bank plc
Funders	Lloyds Banking Group plc Barclays Bank plc Santander UK plc M&G Investment Management Limited Orchardbrook Limited Massachusetts Mutual Life Insurance Company
Independent Auditors	BDO LLP 55 Baker Street London W1U 7EU

Curo Group (Albion) Limited is a community benefit society registered under the Co-operative and Community Benefit Society Act 2014. The company is registered with the Financial Conduct Authority (reference 7945).

Report of the Board

The Board presents its report and audited consolidated financial statements of the Curo Group (Albion) Ltd. (the 'Group') and its subsidiary undertakings, for the year ended 31 March 2022.

Principal activities

Curo is a housing association and housebuilding organisation based in Bath, providing affordable homes and support services across the West of England. We manage over 13,000 homes for more than 25,000 people and plan to build approximately 300 new social homes every year over the next 5 years and deliver between 100 and 200 private market sales annually.

The group is a social enterprise, we do not pay dividends to shareholders. We reinvest surpluses from our commercial house building and lettings businesses into our core social purpose. Our main activities are as follows:

- Long term rented housing for people who are unable to afford to rent or buy on the open market
- Low cost home ownership homes
- Sheltered and supported housing for those who need additional support
- Building homes for sale

Business review and future developments

Details of the Group's performance for the year and factors likely to affect its future development are contained within the Strategic Report.

COVID-19

The challenges of the global pandemic remained with us during this financial year with intermittent restrictions of movement, reduced availability of labour and disruption to supply chains all hampering our ability to deliver core services at times. In addition to this, the sharp increase in inflation is applying pressure on our cost base and having an even more profound impact on our customers cost, and standard, of living.

Despite these challenges the Company delivered strong levels of performance during the year and continued to deliver against its core social purpose of 'homes for good'.

We have carried out extensive stress testing and remain confident of our ability to not only achieve the operational and financial targets set in the coming year, but also to cope with any unforeseen challenges that may arise.

We have considered the potential future impact of COVID when making management judgements and estimates included within these financial statements and can confirm there are no material changes to note.

The Board

The Group is led by the Combined Board that enables efficient decision making across the Group. The Combined Board comprises of Board Directors from Curo Group (Albion) Ltd, Curo Places Ltd and Curo Choice Ltd.

Legal Entity/ Board Composition	Social Business			
	Curo Group (Albion) Ltd	Curo Places Ltd	Curo Choice Ltd	Combined Board
Core Board Directors (NED)	4	4	4	4
Independent subsidiary Board directors (NED)	-	1	1	2
Executive Directors	2	2	2	2
Total Directors	6	7	7	8

There are four further companies within the Group that are governed outside of the Combined Board. The Board structures for these companies is as follows:

Legal Entity/ Board Composition	Curo Enterprise Ltd	Curo Market Rented Services Ltd	Mulberry Park Community Benefit Society	Curo Finance Limited
Non-Executive Directors	3	-	-	-
Executive Directors	2	2	3	2
Total Directors	5	2	3	2

The Combined Board operates a robust succession plan to ensure that continuity of experience is balanced against the maximum tenures for Board Directors stipulated in our Code of Governance. As part of the agreed Board succession plan, in 2022/23 we will seek to recruit a new Chair as Liz Potter retires. We are hugely grateful to Liz for all of her support as Chair.

Regulatory Framework

The Group is regulated by the Regulator of Social Housing (RSH). It has to comply with the regulatory standards framework set by the RSH. The framework retains at its core the principle of co-regulation. Boards are responsible for the effective performance of their organisations, compliance with the standards and being transparent and accountable to stakeholders.

The RSH framework retains seven standards set out in two primary areas; Economic and Consumer.

Economic

- Governance and financial viability
- Value for money (VFM)
- Rent

Consumer

- Tenant involvement and empowerment
- Home
- Tenancy
- Neighbourhood and community

Curo operates a robust regulatory compliance framework, and each year completes a self-assessment of regulatory compliance which is considered (with appropriate evidence) by both the Combined Board and its Audit and Assurance Committee.

During this reporting period, following an in-depth assessment in Q4 of the preceding year, the Regulator of Social Housing awarded Curo the highest ratings possible (G1 for Governance and V1 for Viability). That rating was subsequently confirmed in December 2021 following an annual stability check. The Combined Board considered the self-assessment in July 2022 and noted that it demonstrated compliance in respect of the regulatory standards.

National Housing Federation (NHF) Code of Governance

For the relevant period, Curo Group (Albion) Ltd, Curo Places Ltd and Curo Choice Ltd have adopted the National Housing Federation's Code of Governance 2020, which promotes excellence for Federation members in governing their organisations and being accountable, independent and diverse. The Combined Board conducted a review of these entities' performance against this Code in July 2022 and can demonstrate compliance.

Delegation

The Combined Board is responsible for strategy for the Group as well as overseeing its performance. Specific responsibilities have been delegated to committees which have their own approved terms of reference. Day-to-day performance is delegated to the Executive Team and/or Senior Management Team. The major committees supporting the Combined Board and governance arrangements during the year were:

Audit and Assurance Committee – responsible for overseeing internal and external audit, the effectiveness of internal controls and the risk management framework.

Remuneration and Nominations Committee – responsible for determining matters relating to the employment, pay and benefits for Executives and Board Directors, the recruitment and succession planning for all Board and Committee Members and for making recommendations on governance matters to the Combined Board.

Statement of Board’s responsibilities

Company Directors are responsible for preparing the Group Strategic Report and the financial statements in accordance with applicable law and regulations.

Curo’s Combined Board of directors have prepared the Group and parent company financial statements in accordance with UK law and the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law). Directors have a legal obligation to only approve the financial statements where they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Company Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Group’s Board Directors who served during the year and up to the date of signing the financial statements are listed on page 1.

Report of the Board on Internal Control

The Combined Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material mis-statement or loss.

The key features of Curo’s system of internal control include:

- An established management structure operating across the Group, with clearly defined levels of responsibility
- Delegated authorities as outlined in the Standing Orders

- Terms of Reference
- Financial Regulations

This is supported by established additional policies, which are designed to provide effective internal control and achieve effective corporate governance. The policies include Group-wide policies on Fraud, Health and Safety, Code of Conduct, Gifts and Hospitality, Procurement, Equality and Diversity, Public Interest Disclosures (“Whistle Blowing”) and Data Protection together with policies covering all aspects of Employment Law and operational policies.

Board and Committee assurance – the Audit and Assurance Committee meets regularly with the internal and external auditors, as well as members of the Executive, to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Assurance Committee reviews Curo’s risk profile (including Operational and Strategic Risks) at every meeting, and considers the findings of all internal audits. The Audit and Assurance Committee also reviews the progress of actions identified through internal audit. All Board members receive the minutes of all Audit and Assurance Committee meetings.

Internal audit assurance – the Group’s internal audit function is managed through the governance team and delivered by independent auditors, KPMG. The internal audit programme is designed to review key areas of risk and adherence to relevant law.

External audit assurance – the work of the external auditors provides further independent assurance of the internal control environment, as described in their audit report. The Group also receives a letter from the external auditors identifying any internal control weaknesses. In accordance with best practice guidance, the Audit and Assurance Committee and the Board consider this letter.

Annual Assurance statements – each year colleagues with key accountabilities across the business provide assurance to the Combined Board as to systems of internal control. This process involves Service Directors reviewing and confirming to the Executive Directors that throughout the year there were adequate systems of internal control in place and providing assurance in respect of legal and regulatory compliance.

The Chief Executive and relevant Executive Director then meet with each Service Director to interrogate those assurance statements by reference to centrally held data. The Chief Executive then provides his assurance to the Audit and Assurance Committee whose Chair then provides a report for the Combined Board. Any discrepancies or areas of concern were then reported to the Audit and Assurance Committee and the Combined Board.

Information and financial reporting systems

Financial reporting procedures include the setting of an annual budget and management accounts reporting to Management Teams and the Executive Team on a monthly basis and on a quarterly basis to the Board. Long-term Strategic Financial Plans are reviewed and approved by the Board and revised during the year if necessary. There is a fully inclusive approach with Board and colleagues in terms of updating the Business Plan and associated Financial Plan. The Board also reviews key performance indicators on a quarterly basis to assess progress towards the achievement of key business objectives, targets and outcomes. Performance against those key performance indicators is benchmarked nationally.

Our risk management approach

Risk is inherent to the environment in which we work, particularly given the fast pace of change politically and economically. The operating environment for social housing providers, which is shaped by government policy, remains challenging particularly in light of the ongoing impact of COVID-19, the war in Ukraine and the rise in costs of living.

At Curo, our aim is to identify and then manage risks so that they can be understood, reduced, mitigated, transferred or terminated. This requires a proactive approach to risk management and an effective organisation-wide risk management framework. In response we have adopted a dynamic system of risk management, ensuring that it is the responsibility of everyone in the organisation to manage risks and be aware of all strategic risks that Curo is exposed to. We have defined risk as “uncertain events that could influence the achievement of our strategic, operational and financial objectives”, noting that an event may be positive, negative or a

deviation on what was expected. We have also redefined our method of assessing risk, both in terms of probability, considering the timescales relating to risk and in respect of impact, tailoring this to specific areas of the business. We maintain a strategic risk register, as well as operational risk registers which feed into the strategic risk register as required.

We have developed and improved our approach to risk appetite in recent years, defining it as “the organisation’s willingness to take risk in pursuit of strategic objectives and the extent and categories of risk which it regards as acceptable for the company to bear”. We are only willing to accept the level of risk that fits our strategy, that’s in line with our values and can be understood and managed. The Combined Board reviews our risk appetite formally at least once a year to ensure that it is fit for purpose. Our approach to risk management was considered by our internal auditors in 2019/20, who concluded that there was ‘substantial assurance’.

The Regulator of Social Housing has given the organisation a G1 rating for Governance, the highest level available.

Directors’ indemnity statement

All Board directors, committee members and colleagues of the Group are provided with Directors and Officers Liability insurance to protect them from claims made against them in their capacity as representatives of the organisation.

During the year to 31 March 2022 this was provided by AXA Insurance UK Plc.

Colleagues

Curo aims to recruit, develop and reward high quality colleagues. It aims to keep colleagues informed on matters affecting them and on the business of the Group as a whole so that their views can be taken into account when making decisions that are likely to affect their interests. This is carried out in a number of ways including departmental meetings, formal and informal briefings, a colleague newsletter, a number of special interest groups and an intranet site.

2021/22 continued to be challenging for our colleagues, and so we have maintained a focus on their wellbeing during this year. This has included regular communications from the Senior Management Team, creating peer-led ‘safe spaces’ for colleagues to discuss issues affecting them, and holding our usual annual colleague awards and conference online.

The Group aims to be an excellent employer and is committed to equality of opportunity throughout the organisation. The Group aims to develop a workforce that reflects the diversity of the community within which it works. The Group gives full and fair consideration to applications for employment from people with disabilities, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of people with disabilities employed by the Group.

If colleagues become disabled the Group seeks, wherever possible, to continue employment either in the same or an alternative position, with appropriate retraining or assistance being given if necessary. Applications are encouraged from groups which are under-represented in the workforce when compared to our customer profile. This involves providing positive action with regards to people with disabilities and people who have been homeless, attendance at job fairs, work with voluntary groups representing disadvantaged people, training and development opportunities for colleagues from particular groups within the workforce. Training and development is therefore provided to colleagues according to individual and organisational needs. The Group’s equality, diversity and inclusion policy addresses the recruitment of colleagues.

Residents

The Group actively seeks and encourages residents’ participation, and is committed to ensuring that residents have the opportunity to shape and scrutinise our performance and the delivery of our services. During this reporting period, residents have helped to shape our thinking on important topics such as damp and mould, the cost of living, and complaints. We continue to evolve and improve our approach to resident involvement, engagement and scrutiny and to have regard to the Regulator of Social Housing’s Tenant Involvement and Empowerment Standard.

Our residents scrutinise our performance in a variety of ways, including through detailed scrutiny reports commissioned by the resident-led Oversight Group. Our Board meets formally with residents at least biannually through 'Board Connect' events to hear their views on the Group's performance and priorities.

Health & safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and procedures and provides colleague training and education on health and safety matters.

Equal opportunities

The Group is committed to equality, diversity and inclusion from recruitment and selection, through training and development, appraisals and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, gender, sex, gender reassignment, colour, ethnic or national origins, disability, hours of work, nationality, religion or belief, marital or civil partner status, disfigurement, political opinions or sexual orientation.

All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit. The group is responsive to the needs of its colleagues, residents and the community at large and we are an organisation which uses everyone's talents and abilities and where diversity is valued.

Going concern

The Financial Plan includes a range of assumptions including property construction, house prices and sales activity, bad debts, repairs and planned investment in our existing homes.

In addition to this base case Financial Plan, we modelled the financial impact of a more extreme case in the form of a "perfect storm". We have a mitigation plan in place in order to ensure that we will not break any loan covenants or any of our Financial Rules in the event of a perfect storm. The Financial Rules are internal parameters for us to operate within which encapsulate the Board's appetite for risk and are used to measure performance which is reported regularly to the Board.

The conclusion from the financial modelling and stress testing was that neither the base case, or extreme case stress tests will break our loan covenants or Financial Rules at any point in the foreseeable future.

As a result, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason it continues to adopt the going concern basis in the financial statements.

Statement of compliance

In presenting the Strategic Report, the Board has endeavoured to follow the principles regarding purpose, audience, time-frame, reliability, comparability and financial and non-financial measures as set out in the Statement of Recommended Practice for Accounting by Registered Social Landlords 2014.

Annual General Meeting

The Annual General Meeting will be held on 12 September 2022.

Disclosure of information to auditors

At the date of making this report each of the Group's Board directors, as set out on page 1, confirm the following:

- So far as each Board director is aware, there is no relevant information needed by the group's auditors in connection with preparing their report of which the Group's auditors are unaware.
- Each Board director has taken all the steps that they ought to have taken as a Board director in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

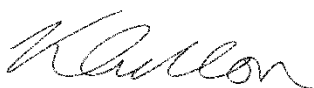
Independent auditors

BDO LLP were appointed by the Board on 20th July 2020 as Independent Auditors. BDO LLP has indicated its willingness to continue in office and a resolution to note re-appointment for the coming year is proposed at the Annual General Meeting.

The Report of the Board was approved by the Board on 25 July 2022 and signed on its behalf by:



.....
Elizabeth Potter
Chair



.....
Katherine Gullon
Secretary



.....
Victor da Cunha
Group Chief Executive

Group Strategic Report for the year ended 31 March 2022

Group Structure

Our group structure includes the following legal entities:

Curo Group (Albion) Limited: is the ultimate parent and provides strategic, management and support services to the rest of the Group. Curo Group (Albion) Limited is a charitable Community Benefit Society registered with the Financial Conduct Authority and a Registered Provider.

Curo Places Limited is our core landlord business, managing more than 12,000 social homes in Bath and the surrounding areas. Curo Places Ltd is a charitable Community Benefit Society registered with the Financial Conduct Authority and a Registered Provider.

Curo Choice Limited is a specialist support business, which provides services to both residents and non-residents. Curo Choice Ltd is a charitable Community Benefit Society.

Curo Enterprise Limited is a housebuilding company, generating income to cross-subsidise our core business. Curo Enterprise Ltd is a company limited by shares.

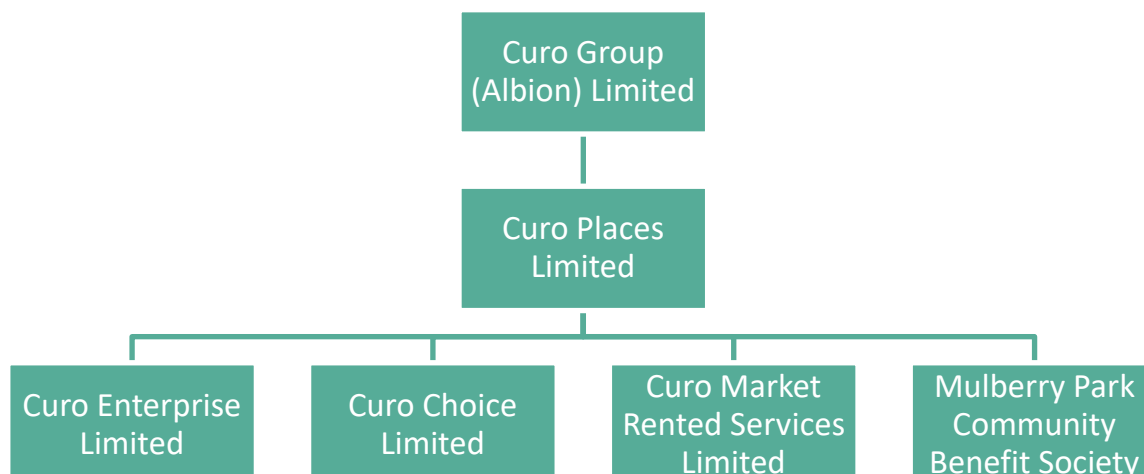
Curo Market Rented Services Limited is a private market rented company, also generating income to cross-subsidise our core business. Curo Market Rented Services is a company limited by shares.

Mulberry Park Community Benefit Society was established for the benefits of the community around Mulberry Park in Bath and provides community services and estate management services for recreational and community purposes.

Curo Finance Limited was established in order to act as the main contractor under development agreements with Curo Places Limited.

Group Structure

The current group structure is summarised below:



Strategic priorities

The Group's strategic priorities, as set out in the Strategic Plan 2020-25, are:

- Delivering renowned customer service
- Providing great properties and places
- Supporting independent and successful lives
- Building high quality homes
- Maintaining a resilient business

Review of the Year

The challenges of the global pandemic remained with us during this financial year with intermittent restrictions of movement, reduced availability of labour and disruption to supply chains all hampering our ability to deliver core services at times. In the addition to this, the sharp increase in inflation is applying pressure on our cost base and having an even more profound impact on our customers cost, and standard, of living.

Despite these challenges, Curo delivered strong levels of performance during the year and continued to deliver against its core social purpose of 'homes for good'. In this section, we summarise some of the key headlines of that past year;

Customer experience - our first strategic priority is to deliver a renowned customer service and is at the heart of everything we do.

During the year we acted swiftly to reprioritise resources to address the increased volume of outstanding repair jobs resulting from a combination of lockdown restrictions and availability of colleagues due to testing positive for COVID. Whilst we continued to deliver our emergency and urgent repairs services, outstanding routine repairs orders peaked at 3,300 jobs leading to increased wait times for customers. As a result of the addition resources and focus, outstanding non-urgent repair orders jobs reduced to 1,900 by year-end, back in line with pre-pandemic levels and 'business as usual' volumes.

We continue to innovate across the business applying our 'Agile' approach to service improvement and productivity. A key focus this year has been to improve our approach to Empty Homes. This project resulted in the roll out of a new operations management approach with the target of improving the turnaround times of empty homes by one additional home per week, increasing the availability of social homes by 52 and generating annualised savings of £0.25m.

We measure customer satisfaction in a range of ways. A key measure that we focus on is Combined Service Satisfaction (CSS) which looks at the collective performance of 14 core services based on feedback received from our customers. CSS totalled 81% during the year, outperforming both prior year and targeted performance despite the challenges faced.

Involving our customers – we remain committed to actively seek and encourage resident involvement and participation in shaping and scrutinising our performance and the delivery of our services. During the last year this included the establishment of a further 3 engagement forums, involving customers in the refresh of our customer service and property investment strategies and increased use of our online feedback portal 'VoiceBox', which now has over 2,100 registered members. Between Voicebox and our other established engagement groups and forums, we have over 2,400 residents actively engaging on a monthly basis. This means that customers from almost 1 in 5 of our homes are in regular dialogue with us about how we can drive improvements into our services.

Another key feature of this last year is our continued efforts to bring customers closer to our Board with 'Board Connect' now taking place on a quarterly basis and our Board Chair attending our Oversight group. This year residents conducted two successful scrutiny activities within our Specialist Repairs and Customer Contact Team with a third currently live, focusing on our Complaints and Resolution process.

During the year we also hosted our first Residents' Festival which involved 12 events using a blend of face-to-face and digital formats running over the course of a week. In total over 1,500 residents participated in the festival.

Safety in our homes – our second strategic priority is to have great properties and places. Our asset investment strategy is prioritised to ensure our existing homes are safe, healthy, affordable and warm. This includes investment of £114m over the next five years, with £41m of that specifically linked to property safety.

This year we put in place a new fire investment strategy which will see £17m of improvement works being carried over the next five years upgrading fire doors, smoke detection and fire compartmentation. We only have seven blocks which are over 18m but have commenced replacement of external wall insulation systems across six of our blocks to maintain high levels of safety compliance across all our homes.

Management of arrears – despite the financial challenges our customers have experienced during the year we have managed to mitigate any increases to arrears outstanding with bad debts only totalling £0.2m which equates to 0.3% of rental income demonstrating top quartile performance when compared to our peers.

During the same period, customer satisfaction with this service increased by a further 3% to 95%. Our 'collecting with care' approach is clearly valued by our customers and is an approach which we intend to continue with in the future.

Social return on investment – our third strategic priority is to support successful independent lives. We do this through a range of services, from employment support to social prescribing and hospital step down services. Collectively, these services saved the public purse £19.7m during the year, ahead of target and an increase of £3m on the previous year.

New homes – our fourth strategic priority is to build good quality new homes and during the year we added 240 new affordable homes to our portfolio, 4 more than budgeted. We have also agreed to deliver a further 1,316 affordable homes over the next 5 years. The affordable homes are delivered from our Strategic Partnership with Homes England, from our own housebuilding company and through acquisition from other developers.

In addition to these affordable homes, we completed 117 new market sale homes and began work on a further programme of 739 market sales homes over the next 5 years which will be delivered by our in-house housebuilding company, Curo Enterprise.

Colleague wellbeing and engagement – our fifth and final strategic priority is to have a resilient business, both in terms of our colleagues, sound governance and robust financial capability.

Once again engagement at Curo has been exceptional this year with colleagues finding new and innovative ways to deliver services during challenging times and we are delighted to have retained our 2 Star – Outstanding employer by Best Companies – a sign that we have a highly engaged team. We also retained Investor in People Gold status for the third time in a row.

Governance and financial viability – the Regulator of Social Housing (RSH) publishes judgements on housing associations setting out whether the provider is complying with the relevant governance and financial viability standards. Following the outcome of an in-depth assessment conducted during 2021 we are delighted to retain our V1/G1 rating indicating the highest possible grades for both standards.

Financial performance - financial performance during the year was strong, fully compliant with all of our internal Financial Rules, generating an operating surplus before pension settlement charges £6.4m (23%) higher than budgeted primarily due to strong property sales performance across the group.

In addition, performance achieved or exceeded targets set for 9 out of 10 Value for Money (VfM) metrics. During this year we also identified a wide range productivity improvements that are incorporated in our 2022/23 targets and achievable through our Agile approach to project delivery.

More detailed information about our financial position and operating performance is given elsewhere in this report.

Principal risks

The Group has in place a risk management strategy and framework which provides a guide for Board directors and colleagues on the Group's approach to risk management.

The principal risks and opportunities which may affect our business and the future performance of the Group are set out below.

Risk	Comment and Curo Response
1. Non compliance with statutory requirements in respect of properties and places	<p>This could potentially cause harm to our customers, colleagues and the general public; as well as legal action and reputational damage. The management of this risk is particularly important in the context of the Fire Safety Act 2021 and the Building Safety Act 2022, and the move to decarbonisation. Curo mitigates this risk by:</p> <ul style="list-style-type: none"> • Obtaining independent reviews of practice/approaches. • Ensuring a comprehensive compliance reporting framework and a robust contract management framework are in place. • Monthly reviews of safety compliance by the Senior Management Team and quarterly reviews by the Board considering evidence from a central data source. • Working to improve our understanding of our properties, so that we can make informed decisions about their safety and ensure that we have the financial resilience to accommodate increased safety and decarbonisation costs. • Maintaining a robust approach to safety checks and the resolution of remedial actions, informed by the Combined Board's risk appetite. • Conducting extensive consultation with residents about damp and mould, and putting together a cross-organisational action plan to tackle it in our homes.
2. Economic climate	<p>Economic changes and changes to welfare provision could materially impact on our customers' wellbeing and their ability to pay rent. This has been particularly pertinent throughout the reporting period, due to job uncertainty created by the Covid-19 pandemic and changes to the support available from government, and will continue to be a material risk in the year ahead due to the rise in the costs of living. Curo mitigates this risk by:</p> <ul style="list-style-type: none"> • Applying prudent financial assumptions in our financial plans and putting in place detailed mitigation plans. • Robustly stress testing our financial plans to understand the impact of various (and multi-variant) possible scenarios.

	<ul style="list-style-type: none"> • Maintaining Financial Rules (set by the Combined Board) as 'tramlines' within which the Group should operate. • Moving to a model of 'collecting with kindness' in respect of rent arrears and revising our team structures, procedures and systems accordingly. We robustly monitor arrears. • Introducing (following consultation with residents) new ways of supporting customers through difficult economic times, including by partnering with others.
3. Materials shortages and delays	<p>Market shortages and supply chain issues could have a material impact on availability and cost of materials, impacting on our housebuilding and asset performance activities in particular. Curo mitigates this risk by:</p> <ul style="list-style-type: none"> • Increased monitoring and continual engagement throughout all contracts. • Proactive specification of alternative equivalents and moving away from 'just in time' deliveries. • Approved site and other budgets including prudent contingencies.

Emerging risks

We scan the horizon for any new or emerging risks that may have a positive or detrimental impact on the business or our residents, including reviewing lessons learnt from the Social Housing Regulator's Sector Risk Profile and Regulatory Judgements. The Combined Board considers its risk appetite at least annually.

Financial Review

Financial performance for the last three years is as follows (£m).

Statement of Comprehensive Income	2022	2021	2020
Turnover	139.2	101.0	96.0
Operating costs and cost of sales	(109.0)	(76.9)	(75.7)
Surplus on sale of assets	3.7	3.0	6.7
Operating surplus before pension settlement charges	33.9	27.1	27.0
Pension settlement charges	(2.6)	-	-
Operating surplus after pension settlement charges	31.3	27.1	27.0
Net interest charge and other financing costs	(7.6)	(7.1)	(8.6)
Fair value in investment properties	1.4	1.6	(0.4)
Corporation tax	(0.1)	-	-
Net surplus for the year	25.0	21.6	18.0
Statement of Financial Position	2022	2021	2020
Housing properties at cost less depreciation	607.5	573.5	538.7
Investment properties at valuation	14.9	12.9	10.9
Other tangible fixed assets	3.6	3.7	3.8
Fixed assets	626.0	590.1	553.4
Net current assets	90.4	65.7	85.6
Creditors due after one year & provisions for liabilities	(481.1)	(449.8)	(457.8)
Net Assets	235.3	206.0	181.2
Revenue reserve	243.4	218.4	197.4
Cash flow hedge reserve	(8.1)	(12.4)	(16.2)
Total Reserves	235.3	206.0	181.2

The main accounting policies of the Group are set out on pages 29 to 37 of the financial statements.

Financial Risk Management

From a financial risk perspective, Curo apply five Financial Rules. These rules are internal parameters for us to operate within and are agreed with and reported regularly to the Board. The five Financial Rules are operating margin (social lettings), interest cover, investment in Curo Enterprise, the proportion of turnover derived from private house sales and a forward looking funding metric which measures the length of time where sufficient funding facilities are in place against committed expenditure. We were fully compliant with all five Financial Rules during the year.

Statement of Comprehensive Income

Turnover for the year totalled £139m a £38m (38%) increase on the previous year reflecting the increased volume of private market property sales.

Surplus on ordinary activities during the year totalled £31.3m, over £4m more than prior year. The increased level of surplus came primarily through higher property sales.

This favourable position has enabled us to instigate our planned exit from our final remaining defined benefit pension scheme (Social Housing Pension Scheme 'SHPS'). One-off settlement charges of £2.6m have been recognised this financial year reflecting our best estimate of the Section 75 liability payable. Once this exit has been concluded all remaining Curo colleagues who are active members of a pension scheme will be participating in a defined contribution scheme, with no future liability to Curo. See Note 26 for further details.

Reserves

Surplus for the year totalled £25.0m (2021: £21.6m), increasing our revenue reserves to £243.4m as at 31 March 2021 (2021: £218.4m). We will invest this in delivery of new homes, maintaining and improving our existing homes and improving our services to residents.

Statement of Financial Position

Some key Statement of Financial Position facts as at 31st March 2022 are:

- Housing properties depreciated cost £607m (an increase of £34m in the year).
- Homes in management now total 13,842 (2021: 13,633)
- Net current assets totalled £90m (2021: £66m)

Cash flow

Cash flows for the year are set out in the cash flow statement on page 28, which shows:

- Net cash inflow from operating activities of £39.9m (2021: £35.1m), an increase on prior year due primarily due to increased operating surpluses generated in the year.

During the year £49m (2021: £44m) was invested in new and existing social homes. Social housing grant of £19.0m (2021: £4.4m) was received and net loans totalling £72m were repaid (2021: £27m loans repaid).

Capital structure and treasury strategy

The Group has a formal treasury management strategy, which is regularly reviewed. The purpose of the policy is to ensure that we have sufficient funding for the medium term and to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury strategy addresses funding and liquidity risk and covenant compliance.

The Group has one active borrower; Curo Places Ltd. Curo Places Ltd is partly funded by syndicate loans provided through Curo Group (Albion) Ltd (the Group's parent company). The remaining borrowing is through bilateral bond and loan agreements.

Borrowing and arranged facilities, as at 31 March 2022, can be summarised as follows:

	Arranged £m	Drawn £m
Curo Places	470.8	350.8

At 31st March 2022, the Group had £120.0m (2021: £161.0m) of arranged facilities that were not drawn. Cash held or on deposit at the year-end totalled £53.6m (2021: £13.2m), leaving net debt of £297.2m (2021: £302.6m).

The weighted average period for drawn fixed debt is 19 years 3 months (2021: 16 years 4 months). Approximately £50.4m of existing drawn loans are due to be repaid in the next five years. The weighted average cost of debt, inclusive of margins and hedging activities, as at 31st March 2022 was 3.8% (2021: 4.0%).

There are four intercompany loan arrangements currently in place, all facilities are repayable on demand;

- £70m loan facility between Curo Places Ltd (lender) and Curo Enterprise Ltd (borrower);
- £40m loan facility between Curo Places Ltd (lender) and Curo Market Rented Services Ltd (borrower); and
- £1.1m loan facilities between Curo Places Ltd (lender) and Mulberry Park Community Benefit Society (borrower).
- £1m loan facilities between Curo Places Ltd (lender) and Curo Finance Limited (borrower).

Current liquidity

The Group holds a minimum cash holding of £5 million which is placed on instant access deposits to ensure short term liquidity. These deposits are spread over a number of banks which meet our investment criteria in respect of creditworthiness and approved limits.

Interest rate management

The Group has actively managed its loan portfolio, seeking to take advantage of low long term interest rates. In this way the Group can achieve certainty in terms of interest rate cost but in the short term can still borrow at the very low variable rates currently on offer.

As at 31 March 2022, the percentage of fixed and variable rate loans was as follows, fixed 74% (2021: 67%) variable 26% (2021: 33%).

Loan covenant compliance

Loan covenants are primarily determined by interest cover and asset cover, based on social housing values. Both financial and non-financial covenants are monitored regularly and were met throughout the year and at the year end for all loan facilities.

Investment for the future

The Group is committed to spending approximately £36m annually over each of the next five years to maintain and improve its existing housing stock. It plans to maintain a balance of 33:67 in spreading this expenditure between day to day responsive repairs and planned works.

Environmental, social and governance reporting (ESG)

Annually the Group prepare an ESG report. The latest update for this financial year will be available on our company website from October 2022.

Value for Money - Strategy

Curo's VfM strategy is an integral part of how it delivers the strategic priorities set out in the Strategic Plan. The Group is committed to delivering its strategic priorities whilst also driving value for money for the benefit of our customers and other stakeholders alike. Delivering these priorities requires Curo to have sufficient financial capacity to invest in new customer service platforms, refurbish its housing stock and build new homes. The financial capacity to invest in these areas requires Curo to ensure that its operations are cost-effective and represent value for money for its customers.

Our VfM strategy combines 5 activities which collectively ensure that we run a cost-effective social enterprise business by defining targets, setting plans to achieve these targets and measuring how we perform against those targets.



Embed VfM throughout Curo

The principal VfM aim is to contribute to the delivery of the Strategic Plan with efficiency and savings. Each year during the financial planning cycle, the Board consider allocation of resources and the impact that has on delivering the Strategic Plan and our VfM metrics. The Board therefore are conscious at all times of the impact of strategic decisions on VfM metrics.

Once resource allocation is agreed at a strategic level, accountability and responsibility for cost and quality outcomes are translated into operational targets through budgets, team plans and individual performance objectives.

Business improvement

The Strategic Plan is delivered via the Corporate Business Plan which is managed and implemented through the Business Improvement Programme (BIP). BIP has been instrumental in driving cost efficiency savings and customer service improvement initiatives across the business. We apply Agile methodology to create momentum for cultural and leadership changes faster than traditional methods.

Resource allocation

The Board take investment decisions considering the impact on the Strategic Goals and VfM metrics. Our development and asset management strategies seek to optimise our return on assets. Decisions are taken based on both financial and qualitative analysis of our existing homes at a variety of levels (unit, block, estate and business stream) to identify any outliers that require further investigation or intervention.

Performance

Curo uses a set of Key Performance Indicators to measure performance targets against our Strategic Goals, which aligns targets to customer, financial, growth, colleague and asset & safety delivery aspirations. Performance is reported and discussed with the Board regularly.

The performance culture with colleagues at Curo is strong with clear accountability, transparency and a collective drive to achieve stretch targets.

Benchmarking

Benchmarking is a key part of delivering VfM within Curo whilst bearing in mind the relative differences in size, business model and composition of stock. Curo is a member of a benchmarking club where we share operational and financial information that allow cost and quality performance comparisons to be made. The Board is periodically updated with the relative performance of Curo against our peers for all VfM metrics.

Value for Money - Performance 2021/22

We measure our VfM performance against the following metrics:

Performance Metric	2021/22			
	Actual	Target	Better/ (worse)	Quartile (*)
Business health & efficiency				
Operating margin % - Social housing lettings only	26.3%	25.1%	▲	Q2
Operating margin % - Overall	21.7%	19.7%	▲	Q3
Interest cover % (EBITDA MRI)	293%	182%	▲	Q2
Headline social housing cost per unit £ CPU – Curo Places Ltd. (entity level)	£4,181	£4,347	▲	Q3
Return on capital employed %	4.7%	3.7%	▲	Q1
Development & investment				
New supply delivered % - Social housing units	1.9%	1.9%	▶	Q2
New supply delivered % - Non-social housing units	0.8%	0.7%	▲	n/a
Gearing %	48%	54%	▲	Q4
Reinvestment %	9.1%	10.3%	▼	Q1
Social return on investment (SROI)	£19.7m	£13.5m	▲	n/a

* Note: Benchmark quartile compares 2021/22 actual results against the latest published sector results (2020/21) as reported in the Sector Scorecard analysis report 2021 for all HAs.

One-off pension settlement charges have been excluded from VfM metric calculations where appropriate to improve comparative reporting to prior years and against peers.

2021/22 Performance Highlights

Performance during the year has been positive with 9 of the 10 VfM measures either on or better than target.

The only metric where performance fell short of target was Reinvestment % which measures the cost of investment in new and existing homes as a proportion of our overall fixed asset base. Underlying operational performance was strong acquiring 240 new homes (4 more than budget) coupled with completing 94% of our planned investment in existing homes. The shortfall against target is due to the cost of new homes acquired totalling less than assumed in the Financial Plan, despite delivering the programme in full – so a positive outcome. Reinvestment of 9.1% remains top quartile performance when compared to our peers (median = 5.1%).

Overall VfM performance in comparison to our peers remains positive with 5 out of 8 benchmarkable metrics either quartile 1 or 2 performance. The following section focuses on the 3 VfM metrics that perform below median and provides commentary on the reasons why:

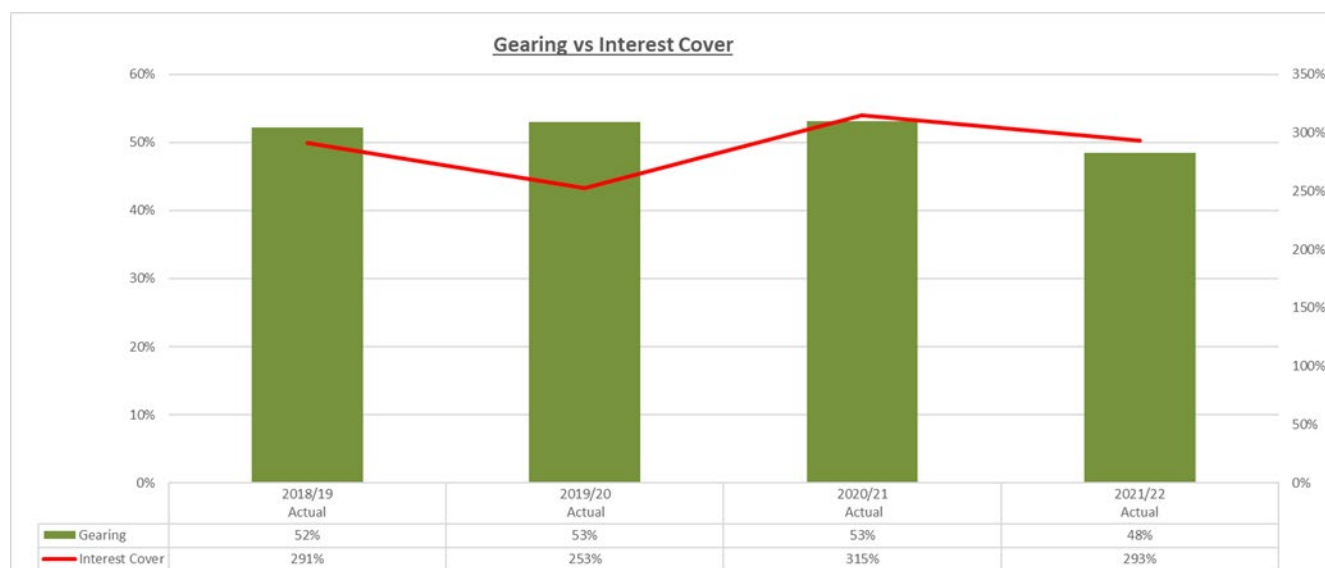
a) Gearing 48% (Q4 performance)

Gearing measures the level of our net debt (loans less cash held) as a proportion of our housing properties (valued at cost less accumulated depreciation).

The Board is aware that gearing has remained historically high in comparison with our peers. This does not expose the business to undue risk as borrowing levels were maintained well within planned levels during the year and interest cover remains strong demonstrating our ability to repay loans.

The table below summarises both gearing and interest cover over a four-year period, demonstrating that gearing has decreased by 4% over this period whilst interest cover has remained strong and relatively stable at 293%.

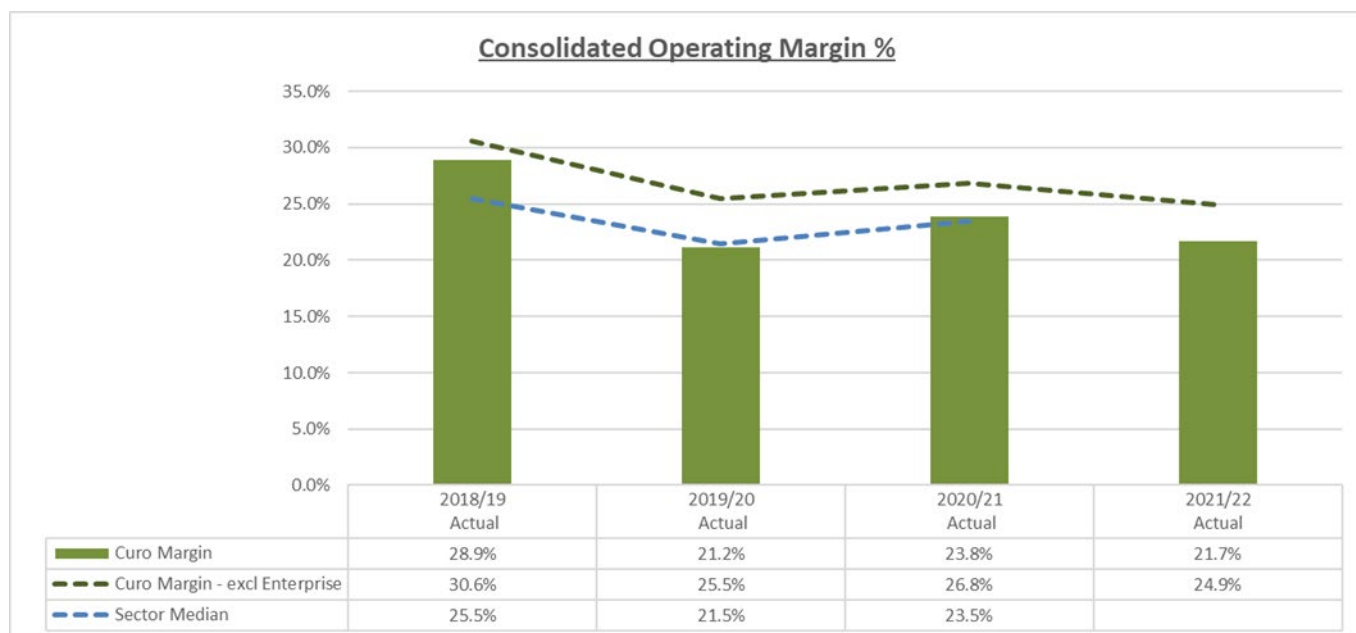
The in-year reduction in gearing is partly due to two timing issues; the cash receipt of capital grant payable to development partners and delays in section 106 development schemes. Underlying gearing levels, excluding these timing issues which are planned to reverse in the next financial year, is 51% still 2% lower than prior year and better than target.



b) Consolidated operating margin 21.7% (Q3 performance)

Consolidated operating margin decreased during the year to 21.7% due to a combination of increased investment in our social business (see CPU below) and increased sales within Curo Enterprise at typically lower margins than social business activities.

Whilst actual performance exceeded target by 2% this equates to Q3 performance when compared with our peers. The table below summarises performance over a four-year period and demonstrates the impact on margin our housebuilding division Curo Enterprise has that will not necessarily be common across all housing associations. Operating margins excluding Enterprise are consistently higher than median performance across the sector.



c) Social cost per unit £4,181 (Q3 performance)

The table below summarises performance over the last 7 years demonstrating that between 2015/16 (£3,599) and 2020/21 (£3,565) CPU decreased by 1% over this 5-year period. During the same period inflation increased by 10% (CPIH) and the sector median CPU by 9% (£3,570 to £3,891).

The reduction in CPU was necessary to mitigate the impact of social rent reductions and was achieved through a combination of business improvement efficiency initiatives, strong operational performance, procurement savings, insourcing and robust cost control across the social business.

The increase in CPU during 21/22 was a conscious decision taken by the Board when approving the budget reflecting the need to increase investment, primarily in our existing homes, in order to deliver our strategic objectives. Actual investment in year was 6% lower than budgeted reflecting the challenges of COVID lockdowns and resource availability.



Value for Money - Future targets

The table below shows the trajectory of results for the last three years on VFM metrics, together with our plans and targets for 2022/23:

Performance Metric	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Target	Quartile (*)
Business health & efficiency					
Operating margin % - Social housing lettings only	25.5%	27.6%	26.3%	25.7%	Q2
Operating margin % - Overall	21.2%	23.8%	21.7%	20.0%	Q3
Interest cover % (EBITDA MRI)	253%	315%	293%	176%	Q3
Headline social housing cost per unit CPU – Curo Places Ltd. (entity level)	£3,454	£3,565	£4,181	£4,423	Q3
Return on capital employed %	5.0%	4.1%	4.7%	4.0%	Q2

Performance Metric	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Target	Quartile (*)
Development & investment					
New supply delivered % - Social housing units	2.7%	1.9%	1.9%	2.0%	Q1
New supply delivered % - Non-social housing units	0.3%	0.3%	0.8%	0.8%	n/a
Gearing %	53%	53%	48%	54%	Q4
Reinvestment %	12.5%	9.0%	9.1%	9.4%	Q1
Social return on investment (SROI)	£17.6m	£16.4m	£19.7m	£12.4m	n/a

* Note: Benchmark quartile compares 2021/22 target results against the latest published sector results (2020/21) as reported in the Sector Scorecard analysis report 2021.

One-off pension settlement charges have been excluded from VfM metric calculations where appropriate to improve comparative reporting to prior years and against peers.

Each year during the financial planning cycle the Board consider allocation of resources and the impact that has on delivering the Strategic Plan and our VfM metrics. In order to deliver the strategic priorities outlined in the Strategic Plan the Board agreed to substantial increases in the level of investment in both new and existing stock, which whilst affordable and compliant with Curo's Financial Rules, has resulted in target metrics reducing over recent years and with some being set in the lower quartiles.

In light of the recent inflationary pressures, our focus more than ever, is to drive productivity improvements across the business to improve operating margin and mitigate increases to our cost per unit.

Key highlights relating to 2022/23 targets are explained below:

a) Increase in Gearing from 48% to 54% (Q4 performance)

Gearing is projected to increase next year due to a combination of timing variances as identified above (3%) coupled with our ongoing development programme to acquire circa 250 new social homes per annum.

b) Decrease in Interest Cover from 293% to 176% (Q3 performance)

Interest cover is projected to reduce during 2022/23 due to a combination of:

- assumed increases in variable interest rates; and
- increased borrowing to fund our development programme aspirations; and
- reduced operating surplus primarily related to lower property sales surpluses

This reduction in interest cover remains well within our Financial Rule to maintain levels in excess of 150%.

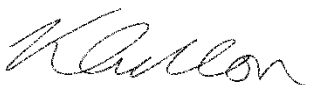
c) Social Lettings Margin – 25.7% (Q3 performance)

One of our key Financial Rules to ensure we remain a resilient business is to maintain of social lettings margin in excess of 25.0%. In order to achieve this financial return, whilst also investing significantly to deliver our strategic priorities, we are continuously looking for new ways to improve productivity through our Agile Projects Portfolio.

The Group Strategic Report was approved by the Board on 25 July 2022 and signed on its behalf by:



.....
Elizabeth Potter
Chair



.....
Katherine Gullon
Secretary



.....
Victor da Cunha
Group Chief Executive

Independent auditor's report to the members of Curo Group (Albion) Ltd

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2022 and of the Group's and the Association's surplus/deficit 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 Cooperative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulation 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Curo Group (Albion) Ltd (the 'company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the consolidated and company statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the

Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and 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 board is responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial

statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Report of the Board and Group Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of 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 where we are required by the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the board

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

In preparing the financial statements, the board is responsible for assessing the Group's and 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 Board either intend to liquidate the Group or 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.

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

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

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their

registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Challenging assumptions made by management in their significant accounting estimates and judgements in relation to the impairment, investment property classifications, defined benefit obligation, arrears provisions and useful economic lives
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing

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

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

Use of our report

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

DocuSigned by:

D1FB52C82A114D7...

Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

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

Consolidated and Company Statement of Comprehensive Income
For the year ended 31 March 2022

	Note	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Turnover	5	139,197	100,992	6,932	6,685
Operating expenditure	5	(108,961)	(76,926)	(6,926)	(6,685)
Gain on disposal of property, plant and equipment *	5,7	3,632	3,023	-	-
Operating surplus before pension settlement charges	5	33,868	27,089	6	-
Pension settlement charges	5,26	(2,586)	-	-	-
Operating surplus after pension settlement charges	5	31,282	27,089	6	-
Interest receivable	8	31	7	1,804	1,874
Interest payable and similar charges	9	(7,640)	(7,073)	(1,804)	(1,874)
Other financing costs	26	-	(8)	-	-
Movement in fair value of investment properties	15	1,432	1,607	-	-
Surplus on ordinary activities before taxation		25,105	21,622	6	-
Taxation	13	(141)	-	-	-
Surplus for the year	10	24,964	21,622	6	-
Other comprehensive income					
Change in fair value of hedged financial instruments		4,319	3,737	-	-
Actuarial loss in respect of pension schemes		-	(604)	-	-
Other comprehensive income		4,319	3,133	-	-
Total comprehensive income for the year		29,283	24,755	6	-

* We have restated our accounts to include the gain on disposal of property, plant and equipment as part of our reporting operating surplus.

Consolidated and Company Statement of Financial Position

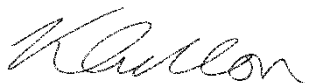
As at 31 March 2022

	Note	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Fixed assets					
Housing properties	14	607,453	573,465	112	114
Investment properties	15	14,912	12,893	-	-
Other property, plant & equipment	16	3,592	3,682	-	-
Total fixed assets		625,957	590,040	112	114
Current assets					
Debtors: amounts falling due after more than one year	18	-	-	158,400	187,800
Stocks	17	82,167	83,244	-	-
Debtors: amounts falling due within one year	18	3,815	4,157	85	209
Cash and cash equivalents		56,565	16,110	1,535	1,389
		142,547	103,511	160,020	189,398
Creditors: amounts falling due within one year	19	(52,112)	(37,789)	(6,268)	(6,254)
Net current assets		90,435	65,722	153,752	183,144
Total assets less current liabilities		716,392	655,762	153,864	183,258
Creditors: amounts falling due after more than one year	20	(476,901)	(444,553)	(153,039)	(182,439)
Provision for liabilities and charges	21	(4,241)	(5,242)	-	-
Net assets		235,250	205,967	825	819
Capital and reserves					
Revenue reserve		243,384	218,420	825	819
Cash flow hedge reserve		(8,134)	(12,453)	-	-
		235,250	205,967	825	819

The financial statements on pages 25 to 58 were authorised for issue by the Board of Directors on 25 July 2022 and were signed on its behalf.



Elizabeth Potter
Chair



Katherine Gullon
Secretary



Victor da Cunha
Group Chief Executive

Consolidated and Company Statement of Changes in Equity
For the year ended 31 March 2022

Group consolidated

	Cash flow hedge reserve £000	Revenue reserve £000	Total £000
At 1 April 2020	(16,190)	197,402	181,212
Surplus for the year	-	21,622	21,622
Actuarial gains in respect of pension schemes	-	(604)	(604)
Change in fair value of hedged financial instruments	3,737	-	3,737
At 31 March 2021	(12,453)	218,420	205,967
Surplus for the year	-	24,964	24,964
Change in fair value of hedged financial instruments	4,319	-	4,319
At 31 March 2022	(8,134)	243,384	235,250

Company

	Revenue reserve £000	Total £000
At 1 April 2020	819	819
Surplus for the year	-	-
At 31 March 2021	819	819
Surplus for the year	6	6
At 31 March 2022	825	825

Consolidated Statement of Cash Flows
For the year ended 31 March 2022

	Notes	Group 2022 £000	Group 2021 £000
Net cash inflow from operating activities	32	39,934	35,143
Cash flows from investing activities			
Purchase of fixed assets – housing properties		(48,761)	(44,442)
Purchase of fixed assets – other	16	(629)	(580)
Proceeds from sale of fixed assets		5,952	1,312
Grant received		18,978	4,424
Interest received		31	7
Net cash used in investing activities		(24,429)	(39,279)
Cash flows from financing activities			
Interest paid		(10,086)	(9,451)
New loans		72,000	27,200
Repayment of borrowings		(36,964)	(26,962)
Net cash inflows/(outflows) from financing activities		24,950	(9,213)
Increase/(decrease) in cash and cash equivalents in the year		40,455	(13,349)
Cash and cash equivalents at the beginning of the year		16,110	29,459
Cash and cash equivalents at the end of the year		56,565	16,110

Curo Group – Accounting Policies

Notes to the Financial Statements for the Year ended 31 March 2022

1) General information

Curo Group (Albion) Limited ('the Company') and its subsidiaries (together "the Group") operate a not-for-profit housing and support organisation based in Bath, providing affordable homes and high quality care and support services across the West of England.

Curo Group (Albion) Ltd. is a charitable Community Benefit Society registered with the Financial Conduct Authority. The Company is also registered with the Regulator of Social Housing as a social housing provider. Curo Group (Albion) Ltd. registered office is The Maltings, River Place, Lower Bristol Road, Bath BA2 1EP.

Curo Market Rented Services Ltd. (company registration 4705482), Mulberry Park Community Benefit Society (registered company number 7696) and Curo Finance Ltd (company registration 13596265) also form part of the consolidated Group and are exempt from the requirements of carrying out an external audit under section 479A of the Companies Act 2016.

2) Statement of compliance

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) regulations 1969, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, the Accounting Direction for Private Registered Providers of Social Housing 2022.

3) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b) Going concern

The Financial Plan includes a range of assumptions including property construction, house prices and sales activity, bad debts, repairs and planned investment in our existing homes. In addition to this base case, we modelled the financial impact of a more extreme case in the form of a "perfect storm". We have a mitigation plan in place in order to ensure that we will not break any loan covenants or any of our Financial Rules in the event of a perfect storm. The Financial Rules are internal parameters for us to operate within which encapsulate the Board's appetite for risk and are used to measure performance which is reported regularly to the Board.

The conclusion from the financial modelling and stress testing was that neither the base case, or extreme case stress tests will break our loan covenants or Financial Rules at any point in the foreseeable future. As a result, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason it continues to adopt the going concern basis in the financial statements.

3) Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102

In preparing the separate financial statements of the parent company, advantage has been taken not to disclose a separate cash flow statement under FRS 102.

d) Basis of consolidation

The Group financial statements consolidate the financial statements of the Curo Group (Albion) Ltd. and all its subsidiaries up to 31 March 2022. Intra group sales and profits are eliminated fully on consolidation.

The accounting treatment adopted for the consolidation of Curo Group (Albion) Ltd, Curo Places Ltd, Curo Choice Ltd, Curo Enterprise Ltd, Curo Market Rented Services Ltd, Mulberry Park Community Benefit Society and Curo Finance Ltd for the preparation of the consolidated financial statements is set out below. Accounting policies are consistent across the Group.

e) Revenue recognition

Turnover

The Group generates and recognises turnover from the following material income streams:-

Income Stream	Revenue Recognition
Rental income	Recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of void loss. Rental income is deferred to a future period where it does not relate to the current period.
Service Charge income	<p>The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders.</p> <p>Turnover, net of void loss, is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and revenue recognition criteria met. The cost of providing these services is recognised in operating cost.</p>
Support Income	Income relating to support services funded under Supporting People is recognised as it falls due under the contractual arrangements with the Administering Authority.
Disposal proceeds of current assets such as: <ul style="list-style-type: none">• properties developed for outright sale; or• shared ownership first tranche sales	<p>Proceeds on property sales are recognised when the risks and rewards of ownership transfer, principally on legal completion of the sale.</p> <p>Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.</p>
Other miscellaneous income sources	Recognised as receivable on the delivery of services provided.

3) Summary of significant accounting policies (continued)

f) Employee benefits

Pensions

The Company operated three pension schemes during the year:

Defined contribution schemes (Scottish Widows and Social Housing Pension Scheme)

The Company participated in two defined contribution schemes during the year where the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. All existing and new colleagues are eligible to join this defined contribution scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Under the scheme, colleagues have been allocated their own personal pension policy and can choose their own investment fund from the many offered. The assets of the scheme are separate from the Company and are invested by independent investment managers. The pension cost charge in note 26 represents contributions payable by the company to all funds.

The final active member of the Social Housing Pension Scheme ended their participation on 31st January 2022.

Defined benefit pension scheme – Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) is a defined benefit multi-employer scheme administered by TPT Retirement Solutions (formerly The Pensions Trust) ("TPT").

This is a legacy pension scheme that was closed to new members in 2007.

On 31st January 2022, the Company notified its intent to leave the Social Housing Pension Scheme (SHPS) by triggering the Section 75 of the Pensions Act 1995 debt through the withdrawal of our last active member of the scheme on 31st January 2022.

Mercer, the scheme actuary, has estimated the pension deficit by comparing the value of the scheme's assets to the scheme liabilities calculated using an annuity buy-out basis. As management consider this estimate to be the basis for the most realistic calculation of our deficit, this deficit has been recognised in full in the financial statements presented.

Full disclosure of our pension liability can be found in note 26.

g) Taxation

Corporate tax

Provision has been made for any corporation tax liabilities arising from the profits made in the year by Curo Enterprise Ltd, Curo Market Rented Services Ltd and Curo Finance Ltd. Curo Group (Albion) Ltd, Curo Places Ltd, Curo Choice Ltd and Mulberry Park Community Benefit Society have charitable status and are not liable for corporation tax on their charitable activities. The current charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

3) Summary of significant accounting policies (continued)

Value added tax (VAT)

The Group's primary income stream, rent, is exempt for VAT purposes. The vast majority of expenditure is subject to VAT, which the Group is unable to reclaim and hence expenditure is shown inclusive of VAT. Some VAT can be reclaimed under the partial exemption method; this is credited to the statement of comprehensive income in the relevant cost heading. All Curo companies, with the exception of Curo Enterprise Ltd and Curo Finance Limited, operate within one VAT group.

Curo Enterprise Ltd's primary income stream, the market sale of houses, is not exempt for VAT purposes. Expenditure for Curo Enterprise Ltd is stated net of input VAT as it is wholly recoverable.

h) Fixed assets

Housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset, the costs directly attributable to bringing the asset to its working condition for its intended use and interest charges incurred during the development period.

Interest incurred during the construction of a new development from acquisition to practical completion is capitalised to each scheme at the average interest rate incurred, unless the financing of the development has been specifically hedged against, in which case that interest rate will be used.

Overhead costs relating to development activities are capitalised on an apportionment of the colleague time spent on this activity. Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale.

Housing properties are split between the land, structure and those major components which have significantly different patterns of consumption of economic benefits. The replacement cost of components is capitalised. Each component is treated as a separate asset and depreciated over its expected useful economic life at the following annual rates:

Structure - General housing stock	100 years
Structure - Precast reinforced concrete (PRC) housing stock	30 years
Structure – Georgian housing stock	150 years
Kitchen	20 years
Bathroom	30 years
Boilers and Electrical Heating Systems	15-25 years
Heating distribution systems	30 years
Windows	30 years
Lifts	25 years
Fire alarms & fire doors	20 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Land is not depreciated on account of its indefinite useful economic life.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

3) Summary of significant accounting policies (continued)

Shared ownership

All shared ownership properties, including those under construction, are split between fixed assets and current assets. This split is determined by the percentage of the property to be sold under a first tranche sale, which is shown on initial recognition as a current asset, with the remainder classified as a fixed asset. Any surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets. The overall surplus for these purposes is the difference between net present value of cash flows and cost.

Proceeds from the first tranche disposals are accounted for in the statement of comprehensive income in the period in which the disposal occurs. All subsequent tranche disposals are recognised in the statement of comprehensive income as a gain or loss on disposal of assets.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Other fixed assets

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Non housing fixed asset expenditure under £1,000 is not capitalised.

Depreciation is provided on all non-housing property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Other fixed assets

Computer equipment and IT software	3-5 years
Furniture and equipment	3-15 years
Office premises (freehold)	40 years

Impairment of fixed assets

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset or cash generating unit is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

The Group defines cash generating units as neighbourhoods. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

3) Summary of significant accounting policies (continued)

Social housing grant

Government grant is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the Statement of Financial Position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the Group to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Sale of social housing properties

Under the terms of the transfer agreement, a proportion of the proceeds from right to buy sales made by Curo Places Ltd. is shared with Bath and North East Somerset Council. On completion of a right to buy sales contract the full proceeds are credited to the Statement of Comprehensive Income and the share payable to the Council is treated as a cost of sale.

Investment properties

Investment properties consist of commercial properties and other properties, assets not held for social benefit or for use in the business. Investment properties under construction are held at cost. Investment properties are professionally valued on completion and subsequently every 5 years, with the last formal valuation taking place in 2021. The fair value of each property is assessed and updated annually using the most appropriate indexation information publicly available. Any surplus or deficit arising is recognised in the Statement of Comprehensive Income for the period. Investment properties are not depreciated.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

i) Stock

Stock

Stock and work in progress are valued at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Land held for development, including land in the course of development, is initially recorded at cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Statement of Comprehensive Income over the period of settlement.

Due to the scale of the company's developments, the company has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The company has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

3) Summary of significant accounting policies (continued)

j) Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and makes a provision for unrecoverable debt. When assessing the level of impairment it considers both the value and classification of debt to apply a tiered level of provision based on a prudent estimated risk of potential non-payment.

Rent and service charge agreements

Tenants who have a payment arrangement to pay their debts over a period of longer than the group's normal terms of business are treated as having a financing transaction. These transactions are recognised at their present value rather than transaction value.

Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors, either within amounts falling due within one year, or amounts falling due after more than one year, depending on when the funds are expected to be used.

k) Cash and cash equivalents

Cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less. Bank overdrafts, when applicable, are shown within current liabilities.

l) Financial instruments

Financial assets

Basic financial assets such as rent arrears, trade and other receivables and cash and cash equivalents are initially recorded at transaction price. If the arrangement constitutes a financing transaction then the transaction is measured at the present value of future receipts discounted at a market rate. The assets are subsequently carried at amortised cost using the effective interest rate method. At the end of each reporting period the amortised cost is assessed for evidence of impairment. Any impairment is recognised in the Statement of Comprehensive Income. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial Liabilities

Basic financial liabilities such as trade and other payables, bank loans and intercompany loans are initially recognised at transaction price. If the arrangement constitutes a financing transaction then the debt instrument will be measured at the present value of the future receipts discounted at a market rate of interest. The debt instrument is subsequently carried at the amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

3) Summary of significant accounting policies (continued)

m) Leased assets

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

n) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

4) Critical accounting judgements and estimation uncertainty

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

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

Significant management judgements

In preparing these financial statements, the key judgements have been made in respect of the following:

- **Impairment:** whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit, incorporating any future regeneration plans. The Group have considered the measurement basis to determine the recoverable amount of assets based on depreciated replacement cost as the primary method of measurement. The Group have also considered impairment based on their assumptions to define cash generating units.
- **Stock value:** the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, we then determine the recoverability of the cost of properties developed for outright sale and land held for sale. This judgement is also based on the Group's best estimate of sales value based on economic conditions within the area of development.

Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4. Critical accounting judgements and estimation uncertainty (continued)

Tangible fixed assets

Tangible fixed assets, other than investment properties, 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. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Investment properties are professionally valued every 5 years and updated annually using the most appropriate indexation information publicly available. Market values may change considerably year on year depending on fluctuations within the property market coupled with potential changes in interest rates. There is an inevitable degree of judgement involved in making this estimate that can only ultimately be reliably tested in the market itself.

Provision for liabilities

A provision for liabilities is recognised only where probable that there is a legal or constructive obligation to transfer economic benefits. The provision is recognised at the best estimate of the amount required. These provisions require management's best estimate of the costs that will be incurred determined by a combination of management information available and technical specialist opinion.

The provision recognised and disclosed in note 21 is primarily comprised of fire safety property costs and the potential repayment of charges linked to an ongoing legal challenge.

The provision for Fire Safety property costs is based on management judgement that we have both a legal and constructive obligation to undertake corrective remedial works. Management have considered realistic alternatives and have come to the judgement these do not represent viable alternatives to settling the obligation for Curo.

Provision for bad or doubtful debts

The Group estimates the cost of irrecoverable debt linked to rent and service charge income. This provision is based on individual debtor balances, with increased levels of provision attributed to the highest risk cases primarily based on the size of the debt and dependant on whether the debtor is a remaining customer or not. Management estimates for provision levels aim to proportionately and prudently reflect the estimated cost of irrecoverable debt. We have reviewed the level of provision applied in light of the increased risk of non-payment linked to the current economic challenges that our customers face and have concluded that our existing provisions are prudent.

Defined benefit pension scheme

Curo Places Ltd notified its intent to leave the Social Housing Pension Scheme (SHPS) by triggering the Section 75 of the Pensions Act 1995 debt through the withdrawal of our last active member of the scheme on 31st January 2022.

Mercer, the scheme actuary, has estimated the pension deficit by comparing the value of the scheme's assets to the scheme liabilities calculated using an annuity buy-out basis. As management consider this estimate to be the basis of the most realistic calculation of our deficit, this deficit has been recognised in full in the financial statements presented.

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, the estimates are subject to significant uncertainty. See note 26 for details of the valuation and underlying assumptions.

5. Particulars of turnover, operating expenditure and operating surplus

<u>Group consolidated</u>	Turnover	Operating Costs	Surplus on disposal	Pension exit costs	Operating surplus	Operating surplus
	2022	2022	2022	2022	2022	2021
	£000	£000	£000	£000	£000	£000
Social housing lettings (Note 6)	70,294	(51,820)	-	-	18,474	18,575
Other social housing activities						
First tranche low cost home ownership sales	10,887	(8,192)	-	-	2,695	2,157
Charges for support services	3,020	(2,850)	-	-	170	221
Development administration	-	(347)	-	-	(347)	(298)
Gain on disposal of property, plant and equipment	-	-	3,632	-	3,632	3,023
	<u>13,907</u>	<u>(11,389)</u>	<u>3,632</u>	<u>-</u>	<u>6,150</u>	<u>5,103</u>
Activities other than social housing						
Market renting	2,303	(1,299)	-	-	1,004	1,081
Community Hub	382	(526)	-	-	(144)	(359)
Commercial properties	393	(209)	-	-	184	341
Leasehold properties	1,006	(1,127)	-	-	(121)	(9)
Open market property sales	49,533	(42,096)	-	-	7,437	1,490
Garages	1,379	(495)	-	-	884	867
Pension settlement charges	-	-	-	(2,586)	(2,586)	-
	<u>54,996</u>	<u>(45,752)</u>	<u>-</u>	<u>(2,586)</u>	<u>6,658</u>	<u>3,411</u>
Total	<u>139,197</u>	<u>(108,961)</u>	<u>3,632</u>	<u>(2,586)</u>	<u>31,282</u>	<u>27,089</u>

5. Particulars of turnover, operating expenditure and operating surplus (continued)

<u>Company</u>	Turnover	Operating expenditure	Operating surplus	Operating surplus
	2022	2022	2022	2021
	£000	£000	£000	£000
Social housing lettings activities				
Social rental homes	8	2	6	-
Other social housing activities				
Group services	6,924	6,924	-	-
Total	6,932	6,926	6	-

6. Income and expenditure from social housing lettings

<u>Group consolidated</u>	General needs 2022 £000	Affordable rent 2022 £000	Sheltered housing 2022 £000	Supported housing 2022 £000	Shared ownership 2022 £000	Rent to buy 2022 £000	Total 2022 £000	Total 2021 £000
Income from lettings								
Income from rents receivable	46,610	5,986	9,204	1,003	1,750	515	65,068	62,431
Service charges receivable	1,526	-	846	801	421	5	3,599	3,252
Amortised government grants	1,014	-	204	3	84	8	1,313	1,309
Other income from lettings	314	-	-	-	-	-	314	234
Total income from lettings	49,464	5,986	10,254	1,807	2,255	528	70,294	67,226
Service costs	1,412	-	783	742	390	5	3,332	3,168
Management costs	7,587	782	1,487	8	629	58	10,551	10,220
Routine maintenance	10,388	1,071	2,094	107	-	79	13,739	11,553
Rent losses from bad debts	144	18	31	6	6	2	207	94
Major repairs	7,698	794	1,552	20	-	59	10,123	10,254
Housing property depreciation	8,022	830	1,622	21	231	62	10,788	10,383
Estate costs	1,514	156	305	4	126	12	2,117	2,131
Other expenditure	689	71	139	2	57	5	963	848
Operating expenditure on social housing lettings	37,454	3,722	8,013	910	1,439	282	51,820	48,651
Operating surplus on social housing activities	12,010	2,264	2,241	897	816	246	18,474	18,575
Void losses	599	39	118	124	29	9	918	940

7. Gain on disposal of property, plant and equipment

	Right to buy 2022 £000	Shared ownership 2022 £000	Other 2022 £000	Group Total 2022 £000	Group Total 2021 £000
Proceed of sales	1,862	2,023	4,649	8,534	6,055
Cost of sales	(252)	(988)	(2,078)	(3,318)	(1,910)
Amount due to Bath & N.E. Somerset Council	(1,584)	-	-	(1,584)	(1,122)
	26	1,035	2,571	3,632	3,023

Cost of sales includes legal and valuation fees incurred in connection with the sale of properties as well as the net book value of the disposed properties.

Right to Buy is available to Curo Places Ltd. tenants who transferred from Bath and North East Somerset Council and who hold an assured protected tenancy and to certain tenants of the former Curo Places (Bristol) Ltd. These tenants are eligible for a percentage discount when applying to purchase their homes.

Shared ownership sales relate to subsequent tranche disposals of low cost home ownership properties.

Other property sales is derived from open market disposals through our active asset management programme and Right to Acquire sales. Tenants applying under Right to Acquire are eligible for a lump sum discount. The levels of discount are governed by statute and contract.

8. Interest receivable

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Interest receivable and similar income	31	7	-	-
Interest receivable from group undertakings	-	-	1,804	1,874
	31	7	1,804	1,874

9. Interest payable and similar charges

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank loans and overdrafts	8,207	7,436	1,804	1,874
Right to buy interest	3	-	-	-
	<u>8,210</u>	<u>7,436</u>	<u>1,804</u>	<u>1,874</u>
Net cost on interest rate swaps	1,876	2,015	-	-
Capitalised interest	<u>(2,235)</u>	<u>(2,051)</u>	<u>-</u>	<u>-</u>
	<u>7,851</u>	<u>7,400</u>	<u>1,804</u>	<u>1,874</u>
(Gain)/loss on basic swap – derivative instruments	(211)	(327)	-	-
	<u>7,640</u>	<u>7,073</u>	<u>1,804</u>	<u>1,874</u>

Interest incurred during the construction of new developments, not for resale, is capitalised based on the weighted average borrowing rate for Curo Places Ltd. for the year of 3.2% (2021: 2.9%).

10. Surplus for the year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
This is arrived at after charging/(crediting):				
Depreciation on owned tangible fixed assets	11,507	11,126	2	2
Bad debts	207	94	-	-
Other operating lease rentals	684	616	-	-
Auditors' remuneration as statutory auditors	68	65	12	12
Auditors' remuneration – other services certification	7	7	-	-
Auditors' remuneration – tax compliance services	11	9	-	-
Auditors' remuneration – tax advisory services	13	13	-	-

11. Directors' emoluments

Directors are defined as the members of the Board (non-Executive Directors), the Group Chief Executive and the Executive Management Team as disclosed on page 1.

Fees of £64,452 (2021: £85,583) were paid to non-executive board directors and committee members across all group entities during the year. Expenses paid during the year to board directors amounted to £1,602 (2021: nil).

Board/committee director	Remuneration £
Elizabeth Potter (Chair)	16,359
Elaine Barnes	6,500
Rick de Blaby	8,183
Sonya Chowdhury	6,548
Angela Dupont	817
Helen Hyde	6,671
Mike Petter	9,374
Chris Wilson	10,000
Grand Total	64,452

All members of the Executive Team receive remuneration from Curo Group (Albion) Ltd, with the exception of the Executive Director of Property Services who is remunerated through Curo Places Ltd, with the associated costs presented in their entity financial statements.

Details of remuneration for the Company are as follows:

	Company 2022 £	Company 2021 £
Aggregate emoluments paid or receivable by the Executive Directors (including pension contributions and benefits in kind)	576,089	544,476
Aggregate pension contributions paid for the Executive Directors (including the Group Chief Executive)	34,390	22,400
Emoluments paid to the highest paid director (Group Chief Executive) excluding pension contributions	230,391	218,359

The highest paid director (Group Chief Executive) is not an active member of any pension scheme with Curo and therefore no employer pension contributions were made in the year.

No compensation payments for loss of office were paid to directors during the year (2021: nil).

12. Employees

The average number of full-time equivalents (37 hour week) employed during the year was as follows:

	Group 2022 Number	Group 2021 Number	Company 2022 Number	Company 2021 Number
Housing, support & administration	444	436	101	97
Direct maintenance	128	124	-	-
Total	572	560	101	97

12. Employees (continued)

Colleague costs	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Wages and salaries	22,032	19,740	5,858	5,265
Social security costs	2,190	1,897	598	530
Other pension costs	1,670	1,552	451	430
Total	25,892	23,189	6,908	6,225

The full-time equivalent number of colleagues who received emoluments, including pension contributions and payments for loss of office, during the year were:

	Group	Group	Company	Company
	2022	2021	2022	2021
	Number	Number	Number	Number
£60,000 - £69,999	16	14	1	2
£70,000 - £79,999	7	5	-	1
£80,000 - £89,999	8	6	4	4
£90,000 - £99,999	4	3	3	2
£100,000 - £109,999	2	6	-	1
£110,000 - £119,999	3	-	-	-
£120,000 - £129,999	2	-	1	-
£180,000 - £189,999	1	-	1	-
£190,000 - £199,999	-	1	-	1
£210,000 - £219,999	-	1	-	1
£220,000 - £229,999	1	-	1	-
Total	44	36	11	12

13. Taxation

a) Tax expense included in statement of comprehensive income

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
UK corporation tax charge on surpluses for the year	141	-	-	-

The corporation tax liability recognised during the year relates to taxable profits for Curo Enterprise Ltd.

14. Housing Properties

Company	Housing properties completed freehold
	£000
Cost	
At 1 April 2021	126
At 31 March 2022	126
Accumulated depreciation & impairment	
At 1 April 2021	12
Charge in year	2
At 31 March 2022	14
Net book value	
At 31 March 2022	112
At 31 March 2021	114

14) Housing properties

	Housing properties completed freehold	Housing properties completed long term leasehold	Housing properties under construction	Housing properties shared ownership	Group Total
Group Consolidated					
	£000	£000	£000	£000	£000
Cost					
At 1 April 2021	593,013	630	69,750	36,174	699,567
Additions	178	-	43,390	-	43,568
Components capitalised	11,527	-	-	-	11,527
Disposals	(4,188)	(33)	-	(8,315)	(12,536)
Transfer	35,334	-	(53,192)	17,240	(618)
At 31 March 2022	635,864	597	59,948	45,099	741,508
Accumulated depreciation & impairment					
At 1 April 2021	124,801	133	-	1,168	126,102
Charge in year	10,525	32	-	231	10,788
Disposals	(2,762)	(33)	-	(40)	(2,835)
At 31 March 2022	132,564	132	-	1,359	134,055
Net book value					
At 31 March 2022	503,300	465	59,948	43,740	607,453
At 31 March 2021	468,212	497	69,750	35,006	573,465

15) Investment properties

Group Consolidated	Group Total
Cost/Valuation	£000
At 1 April 2021	12,893
Revaluation in the year	1,432
Additions in the year	4,794
Disposals	(4,064)
Transfers	(143)
At 31 March 2022	14,912

Investment properties consist of commercial properties and other properties, assets not held for social benefit or for use in the business. Investment properties are professionally valued on completion and subsequently every 5 years with the last valuation taking place in 2021. The fair value of each property is assessed and updated annually using the most appropriate indexation information publicly available.

16) Other property, plant & equipment

Group Consolidated	Computer equipment and IT software £000	Office premises (freehold) £000	Furniture and equipment £000	Group Total £000
Cost				
At 1 April 2021	3,908	6,974	1,051	11,933
Additions	586	-	43	629
At 31 March 2022	4,494	6,974	1,094	12,562
Accumulated depreciation				
At 1 April 2021	3,222	4,175	854	8,251
Charge for the year	408	216	95	719
At 31 March 2022	3,630	4,391	949	8,970
Net book value				
31 March 2022	864	2,583	145	3,592
31 March 2021	686	2,799	197	3,682

17) Stocks

Group Consolidated	First tranche SO properties	Outright market sales	Group Total	Group Total
	2022	2022	2022	2021
	£000	£000	£000	£000
Properties for sale				
Properties under construction	3,470	68,001	71,471	77,484
Completed properties	2,921	7,313	10,234	5,350
	6,391	75,314	81,705	82,834
Consumable maintenance stock				
Stock			770	683
Stock provision			(308)	(273)
			462	410
Total			82,167	83,244

18) Debtors

	Group 2022	Group 2021	Company 2022	Company 2021
	£000	£000	£000	£000
Amounts falling due within one year				
Rental arrears	2,551	2,359	-	-
Net present value adjustment	(137)	(182)	-	-
Less provision for bad debts	(1,661)	(1,434)	-	-
	753	743	-	-
Other debtors	926	724	1	1
Amounts owed by group undertakings	-	-	5	136
Prepayments and accrued income	2,130	2,690	79	72
Taxation & social security	6	-	-	-
	3,815	4,157	85	209
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	158,400	187,800
	-	-	158,400	187,800

19) Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Land vendor	-	253	-	-
Rent paid in advance	2,377	2,561	-	-
Trade creditors	8,608	8,066	-	-
Amounts owed to group undertakings	-	-	98	3
Other creditors	2,693	2,614	770	726
Housing loans due within one year (note 22)	5,967	5,964	5,400	5,400
Social housing grant received in advance	22,411	4,625	-	-
Taxation and Social Security	40	483	-	125
Accruals and deferred income	7,489	11,642	-	-
Right to buy accruals	1,586	1,122	-	-
Sinking fund liabilities	680	92	-	-
Retentions	261	367	-	-
	52,112	37,789	6,268	6,254

20) Creditors: amounts falling due after more than one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Loans and borrowing (note 22)	344,880	309,847	153,000	182,400
Derivative financial instruments	9,392	13,922	-	-
Deferred capital grants (note 23)	113,223	113,358	39	39
Recycled capital grant fund (note 24)	3,357	3,336	-	-
Pension defined benefit liability (note 26)	3,375	899	-	-
Leaseholder sinking fund balances	2,208	2,636	-	-
Land Vendor	466	555	-	-
	476,901	444,553	153,039	182,439

Provision has been made representing the value of contributions paid in advance by leaseholders at 31 March 2022 in respect of their share of future planned maintenance.

21) Provision for liabilities and charges

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
At 1 April	5,242	4,540	-	-
Amounts provided for	400	2,730	-	-
Amounts utilised	(803)	(214)	-	-
Amounts released	(598)	(1,814)	-	-
At 31 March	4,241	5,242	-	-

22) Loans and borrowing

Maturity of debt:	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Banks and mortgages amounts falling due:				
Between one and two years	11,922	35,932	10,800	34,800
Between two and five years	38,492	36,537	21,600	19,800
Over five years, not payable by instalments	300,433	243,342	126,000	133,200
	350,847	315,811	158,400	187,800
Less due within one year	(5,967)	(5,964)	(5,400)	(5,400)
	344,880	309,847	153,000	182,400

Housing loans

At 31 March 2022 the Group had a borrowing facility of £470.8 million (2021: £476.8 million) of which an amount of £350.8 million (2021: £315.8 million) had been drawn at the year end. Of the £470.8 million loan facility, all has been fully secured in fixed charges over properties owned by Curo Places Ltd.

The interest rate profile of the Group's financial liabilities was:

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Variable Rate	91,540	105,580	123,400	142,800
Fixed Rate	259,307	210,231	35,000	45,000
	350,847	315,811	158,400	187,800

The weighted average period for loans that are fixed was 19 years 3 months (2021: 16 years 4 months) and the weighted average interest rate at the 31 March 2022 was 3.8% (2021: 4.0%).

Fair value of financial liabilities

The Group has applied FRS 102 to its financial instruments and accounted for our derivative financial instruments on the Statement of Financial Position. The following disclosures have been made in relation to its interest rate swaps. At the 31 March 2022 Curo Places Ltd. had the following swaps:

- £20 million fixed interest rate swap which matures on 29 March 2037. This swap has a fixed interest rate of 5.13%.
- £22.7 million forward starting interest rate swap which matures on 20 June 2026. This swap fixes the interest rate at 3.165%.

22) Loans and borrowing (continued)

The Group's interest rate risk management policy is designed to reduce volatility in cash flows and earnings over the year. Of particular importance is the reduction of potential increases in net interest payable to an acceptable level.

The currency, size and maturity of debt is matched and hedged using a combination of various interest rate hedge instruments. The Group's policy is to maintain a level of fixed rate debt of between 40% to 85% of total debt.

The Group had hedge instruments in place at year end with the following fair values:

	2022	2021
	£000	£000
Fair value of interest rate swaps	(9,392)	(13,922)

Curo Places Ltd has recognised that a portion of their interest rate swaps are ineffective and created a liability under FRS 102. At 31 March 2022, the ineffective hedge creates a cumulative liability of £1.3m (2021: £1.5m) which has been recognised in the income statement.

	£000
Ineffective hedge balance at 1 April 2021	1,470
Movement in income statement	(211)
Ineffective hedge balance at 31 March 2022	<u>1,259</u>

The fair value of the interest rate swaps has been determined by discounting the cash flows at prevailing interest rates and has been derived from the Group's Treasury management system.

23) Deferred capital grants

	Group	Group
	2022	2021
	£000	£000
At 1 April	113,358	114,157
Grants received during the year	1,191	800
Recycled capital grants	(13)	(290)
Amortisation to Statement of Comprehensive Income	(1,313)	(1,309)
At 31 March	<u>113,223</u>	<u>113,358</u>

The total accumulated amount of capital grant received or receivable, before amortisation to the statement of comprehensive income, at the balance sheet date is £131.7m (2021: £130.6m).

24) Recycled capital grant fund

	Group	Group
	2022	2021
	£000	£000
At 1 April	3,336	3,044
Inputs to recycled capital grant fund		
Grants recycled	292	290
Interest accrued	8	3
Recycling of grant		
New homes	(279)	(1)
At 31 March	<u>3,357</u>	<u>3,336</u>

24) Recycled capital grant fund (continued)

Recycled capital grant as at 31 March 2022 is less than 3 years old and relates to funding provided by Homes England (2021: all less than 3 years old).

	Group	Group
	2022	2021
	£000	£000
To be used after more than one year	3,357	3,336
At 31 March	3,357	3,336

25) Financial derivatives

The Group and the Company has the following financial instruments:

i). Financial assets that are debt instruments measured at amortised cost.

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade receivables	753	743	5	136
Other receivables	926	724	1	1
	1,679	1,467	6	137

ii). Financial instruments measured at fair value through cash flow hedge reserve.

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Derivative financial instruments	9,392	13,922	-	-
	9,392	13,922	-	-

Curo Places Ltd enters into interest rate swaps to mitigate the risk from interest rate movements on its variable rate debt. The fair value of the interest rate swaps has been determined by discounting the cash flows at prevailing interest rates and has been derived from using the Group's Treasury management system (see note 22).

iii). Financial liabilities measured at amortised cost.

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank loans and overdrafts	339,480	304,447	153,000	182,400
Trade creditors	8,608	8,066	-	-
Amounts owed to group undertakings	-	-	98	3
Other creditors	11,618	12,089	771	850
	359,706	324,602	153,869	183,253

26) Pensions

During the year the Company operated three pension schemes for its colleagues:-

- Defined contribution schemes:
 - Scottish Widows Services Ltd Pension Scheme
 - Social Housing Pension Scheme (SHPS)
- Defined benefit scheme:
 - Social Housing Pension Scheme

Defined contribution schemes

During the year Curo colleagues participated in two defined contribution schemes (Scottish Widows Services Ltd and SHPS) where the amount charged to surplus in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. All existing and new colleagues are eligible to join a defined contribution scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Under the scheme, colleagues have been allocated their own personal pension policy and can choose their own investment fund from the many offered. The assets of the scheme are separate from the company and are invested by independent investment managers.

The final active member of the Social Housing Pension Scheme ended their participation on 31st January 2022.

Defined benefit scheme (Social Housing Pension Scheme)

The Social Housing Pension Scheme (SHPS) is a defined benefit multi-employer scheme administered by TPT Retirement Solutions (formerly The Pensions Trust) ("TPT"). This is a legacy pension scheme that was closed to new members in 2007.

On 31st January 2022, the Company notified its intent to leave the Social Housing Pension Scheme (SHPS) by triggering the Section 75 of the Pensions Act 1995 debt through the withdrawal of our last active member of the scheme on 31st January 2022.

Mercer, the scheme actuary, has estimated the pension deficit by comparing the value of the scheme's assets to the scheme liabilities calculated using an annuity buy-out basis. As management consider this estimate to be the most realistic calculation of our deficit, this deficit has been recognised in full in the financial statements presented.

A full valuation of the Section 75 debt will be prepared by Mercer during June 2022. Assuming this valuation remains affordable to the Company, the Board has expressed its intent to exit the scheme in full through making a settlement payment to TPT.

TPT has undertaken a legal review that involved comparing the changes that have been made to the benefits provided to members with the requirements of the Scheme's Rules. This review has identified that, in some cases, changes to benefits may have been implemented at a time or in a way that may not be in accordance with the Scheme Rules.

TPT is seeking court directions on how to interpret the rules. If TPT is required to make changes this will increase the Scheme's liabilities. At the same time, TPT will ask the court to clarify its power to make changes in respect of benefits built up after the date changes were made to the Scheme's Rules. If TPT is required to make changes as a result of this clarification then this would also give rise to an additional liability.

Based on the unknown timescale linked to this legal review the Company has notified its intent to pay 90% of the Section 75 liability once the full valuation has been completed and accepted. This is scheduled to take place during the Summer of 2022. The remaining 10%, plus any further liability relating to the outcome of Pension Scheme Review will be payable once the legal case is concluded.

26) Pensions (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2021
	(£000)
Fair value of plan assets	4,112
Present value of defined benefit obligation	(5,011)
Deficit in plan	(899)
Unrecognised surplus	-
Defined benefit liability to be recognised	(899)

Assets

	31 March 2021
	(£000)
Global equity	655
Absolute return	227
Distressed opportunities	119
Credit relative value	129
Alternative risk premia	155
Emerging markets debt	166
Risk sharing	150
Insurance linked securities	99
Property	85
Infrastructure	274
Private debt	98
Opportunistic illiquid credit	105
High yield	123
Opportunistic credit	113
Corporate bond fund	243
Liquid credit	49
Long lease property	81
Secured income	171
Liability driven investment	1,045
Net current assets	25
Total assets	4,112

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.

26) Pensions (continued)

Key assumptions:

	31 March 2021
	% per annum
Discount rate	2.17
Inflation (RPI)	3.28
Inflation (CPI)	2.86
Salary growth	3.86
Allowance for commutation of pension for cash at retirement	75% of max allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

The table below summarises the estimated Section 75 debt associated with our planned exit of SHPS and the related in year charge to the Statement of Comprehensive Income.

	31 March 2022
	(£000)
Pension liability at 31 March 2022	3,375
Pension deficit recognised 1 April 2021	(899)
Deficit contributions paid in year	110
Less existing pension liability held	(789)
	-
Charge to Statement of Comprehensive Income	2,586

27) Capital commitments

	Group 2022 £000	Group 2021 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	90,240	82,734
Capital expenditure that has been authorised by the Board but not yet contracted for	21,779	37,158
	112,019	119,892

27) Capital commitments (continued)

Capital commitments for the Group will be funded as follows:

	Group	Group
	2022	2021
	£000	£000
Social Housing Grant	845	7,289
Loan drawdowns	88,801	83,093
Sales of properties	22,373	29,510
	<u>112,019</u>	<u>119,892</u>

28) Operating leases

The Group holds non-cancellable operating leases for vehicles, water machines and a franking machine. There were no leases relating to land during the financial year. At 31 March, the Group had the total of future minimum lease payments for each of the following periods:

	Group	Group
	2022	2021
	£000	£000
Not later than one year	633	625
Later than one year and not later than five years	15	635
	<u>648</u>	<u>1,260</u>

29) Related party transactions

Curo Group consists of Curo Places Ltd (registered provider), Curo Choice Ltd (specialist support provider), Curo Enterprise Ltd (commercial), Curo Market Rented Services Ltd, Mulberry Park Community Benefit Society, Curo Finance Ltd and Curo Group (Albion) Ltd.

Curo Group (Albion) Ltd is the ultimate controlling party and parent undertaking of Curo Places Ltd. It is a company incorporated in the United Kingdom. It has the right to appoint the Board directors of Curo Places Ltd. The consolidated financial statements of Curo Group (Albion) Ltd are available from The Maltings, River Place, Lower Bristol Road, Bath, BA2 1EP.

Legal status of associated companies

Curo Group (Albion) Ltd. is the ultimate controlling party and ultimate parent undertaking of Curo Places Ltd, Curo Choice Ltd, Curo Enterprise Ltd, Curo Market Rented Services Ltd and Mulberry Park Community Benefit Society. The consolidated financial statements of Curo Group (Albion) Ltd. are available from The Maltings, River Place, Lower Bristol Road, Bath, BA2 1EP.

Curo Places Ltd. – a charitable Community Benefit Society registered with Financial Conduct Authority and a Registered Social Landlord.

Curo Choice Ltd. – a charitable Community Benefit Society.

Curo Enterprise Ltd. - a company limited by shares.

Curo Market Rented Services Ltd. - a company limited by shares.

Mulberry Park Community Benefit Society – a charitable Community Benefit Society.

Curo Finance Ltd. - a company limited by shares.

29) Related party transactions (continued)

Transactions with associated companies

Curo Group (Albion) Ltd. provide management services to the companies within the Group. The most significant element of this is staff costs for the provision of group-wide central services including the Executive Management Team, Finance, IT, Human Resources, Communications etc. Costs are apportioned within the group based on a combination of turnover and units in management. Group services are provided at arm's length based on commercial terms.

Curo Choice Ltd. and Curo Places Ltd. provide housing management services to group members. Inter company charges are based on pre-agreed resources required to deliver this service. Charges are calculated on a management cost per property basis.

Curo Places Ltd has provided an arm's length facility of up to £70m to Curo Enterprise Ltd. The funding facility is available for up to 10 years from 2022 at a cost of 2.25% above SONIA rate. As at 31 March 2022, Curo Enterprise Ltd had drawn down £40.1m (2021: £46.2m) of the loan facility.

Curo Places Ltd has provided a loan facility of £40m to Curo Market Rented Services Ltd, £1.1m to Mulberry Park Community Benefit Society and £1m to Curo Finance Ltd. All four inter-company loan facilities are repayable on demand.

Curo Places Ltd. lease 205 market rental properties to Curo Market Rented Services Ltd. on 7 year leases.

Curo Enterprise Ltd., the commercial housebuilding company within the group, build and sale social units to Curo Places Ltd.

The table below summarises the intra company charges by services and by legal entity for the year:

Intra Group Service Provided Income/(costs) - £000	Curo Group (Albion) Ltd.	Curo Places Ltd.	Curo Choice Ltd.	Curo Enterprise Ltd.	Curo Market Rented Services Ltd.	Mulberry Park CBS	Curo Finance Ltd.
Group management services	6,924	(6,464)	(224)	(234)	-	(2)	-
Housing management services	(1)	(284)	286	-	(1)	-	-
Intra group interest charges	-	1,666	-	(1,635)	(31)	-	-
Leased property services	-	1,771	-	-	(1,771)	-	-
Property sales	-	(721)	-	719	-	-	2
Community Hub services	-	(18)	(2)	(86)	-	106	-
Total	6,923	(4,050)	60	(1,236)	(1,803)	104	2

There are no current board directors who hold tenancies.

30) Fixed asset investments

Curo Group (Albion) Ltd is a member of Curo Places Ltd and has agreed to contribute £1 in the event of the winding up of Curo Places Ltd. Curo Places Ltd became a subsidiary of Curo Group (Albion) Ltd in 2002 by amending its Memorandum and Articles of Association.

Curo Group (Albion) Ltd exercises control over Curo Places Ltd by virtue of its right to appoint and remove the Board directors of the organisation, and the need for its consent to any constitutional amendments.

Curo Group (Albion) Ltd owns one of three shares in Mulberry Park Community Benefit Society.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

31) Homes and bed spaces in management

	Group 2022 Number	Group 2021 Number
General needs housing	8,891	8,822
Affordable rent	917	873
Sheltered housing	1,792	1,792
Supported housing	190	185
Shared ownership	737	656
Rent to buy	68	69
Total social housing units	12,595	12,397
Market renting	227	226
Leasehold	1,020	1,010
Total non-social units	1,247	1,236
Total homes in management	13,842	13,633

There were 448 social housing properties in the pipeline for development at 31 March 2022 (2021: 950). Curo Places Ltd own 38 housing properties that are managed by external organisations (2021: 31).

32) Net cash inflow from operating activities

	2022 £000	2021 £000
Operating surplus	31,282	27,089
Depreciation of tangible fixed assets	11,507	11,126
Amortisation of grant	(1,313)	(1,309)
Decrease/(increase) in stocks	1,220	(2,492)
Decrease/(increase) in debtors	343	(495)
Increase in trade creditors	542	2,103
Decrease in accruals and provisions	(3,647)	(879)
Cash inflow from operations	39,934	35,143