



KEY UNLOCKING FUTURES LIMITED

Annual Accounts 2021

Financial statements for the year
ended 31 March 2021

Charity registration number: 1154772
Company registration number: 8699413



Contents

| | Page |
|---|------|
| Members of the board of management and registered office | 1 |
| Trustees' report | 2 |
| Statement of Trustees' responsibilities | 8 |
| Independent auditor's report to members of Key Unlocking Futures Limited | 9 |
| Statement of Financial Activities | 13 |
| Balance Sheet | 14 |
| Notes to the financial statements | 15 |

Members of the board of management and registered office

Charitable Trustees

| | |
|------------|-------|
| L Cubbin | Chair |
| A Bancroft | |
| R Barham | |
| E Davies | |
| K Grogan | |
| M Hallmark | |
| N Townsend | |
| S Haslam | |

Company Secretary

Progress Housing Group Limited

Principal Office

Unit 2 Balfour Court
Leyland
Lancashire
PR25 2TF

Registered Office

Sumner House
21 King St
Leyland
Lancashire
PR25 2LW

Auditors

BDO LLP
3 Hardman Street
Manchester
M3 3AT

Company Details

Registered charity number: 1154772
Company number: 8699413

Trustees' report

Memorandum and Articles of Association

The charity is governed by its Articles of Association.

Strategic report

Objects

The charity's objects (Objects) are specifically restricted to the following:

- ◆ the prevention or relief of poverty for those who are vulnerable or homeless and are in conditions of need, hardship and distress;
- ◆ the relief of those in need who are vulnerable or homeless and in conditions of need, hardship or distress;
- ◆ the advancement of education of the public generally on issues affecting the said beneficiaries; and
- ◆ the advancement of citizenship or community development.

Key Unlocking Futures Limited (Key) has worked hard during 2020/21 in order to deliver against the strategic objectives set out in its Business Plan. Despite the challenges presented by the COVID 19 pandemic, Key has been successful in delivering against these objectives. Key has met and achieved all its key performance indicators from its balanced scorecard, which includes customer, financial and process indicators.

"You are one of the best workers I have met, you are super nice and he has helped my life get better."

Mission and values

Mission

Helping people build better lives.

Aims

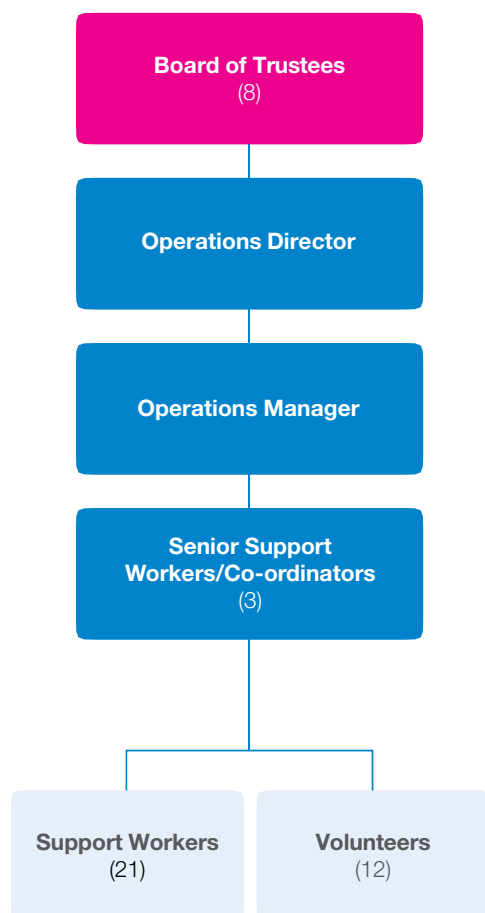
- ◆ Key will continue to build a strong and adaptable organisation working in partnership with like-minded organisations
- ◆ Key remains focused on person led approaches to build resilient individuals so that they can move through difficult times
- ◆ Key will continue to provide high quality support by asking people who use our services and stakeholders if we are getting it right, as well as providing learning opportunities across the team.
- ◆ Key will work to explore how we can expand our offer in related areas and whether we can sell established services in different ways.

Values

- ◆ Value 1: Putting people first
- ◆ Value 2: Working in partnership
- ◆ Value 3: Delivering quality services
- ◆ Value 4: Being a great place to work
- ◆ Value 5: Looking to the future

Trustees' report continued

Organisational structure



Key is linked to Progress Housing Group (the Group) by way of a Grouping Deed. Key's Board of Trustees (the board) retains responsibility for establishing Key's strategic direction and setting and managing its budget. This being said, should Key's board fail to manage the charity effectively, the Grouping Deed sets out how Progress Housing Group Limited (the Parent) can step in to rectify the situation or to make any changes. In order to manage Key effectively within a group structure, Key works within the Group's wider financial regulations as well as having adopted a number of the Group's policies and procedures. Key has adopted a Code of Governance: The Charity Governance Code for smaller charities and reports compliance annually against its principles and key outcomes. Key is included in the internal audit process and this is reported to the Audit Committee like any other part of the Group.

New trustees

New trustees are recruited to Key using an open recruitment process. A vacancy is advertised and prospective candidates are asked to make an application for the role. Role descriptions are made available and suitable applicants are shortlisted and interviewed. The successful candidate is subject to appropriate due diligence prior to being recommended for appointment to the board. Once appointed, the trustee's undertake a structured induction process, which includes the history of Key and its charitable purposes, an overview of the Group and its structure, Key's Vision and Values, the Companies Act 2006, the Charities Act 2011 and the Trustees Act 2000, Charity Commission Guide – The Essential Trustee, safeguarding, Memorandum and Articles of Association, Standing Orders, Code of Governance, Code of Conduct and more. The trustees are required to confirm their fitness to act against a range of criteria on an annual basis.

“It helped me the fact that someone listened to me. And it me overall. I feel a lot better, I cannot explain why, just feel it. Everything has got better.”

Significant activities

- ◆ Key's largest source of funding is to deliver an early intervention service to improve children and young people's emotional health and wellbeing. This is funded by Lancashire County Council. This service has a significant 'payment by results' element. The staffing used to deliver this service is predominantly of a therapeutic nature. Key continues to use a mixture of permanent staffing and casual staff to make sure it can flexibly meet its staffing requirements.
- ◆ South Ribble and Chorley Borough Council - funding supports family conflict resolution / therapy and drop in services that work with young people who are at risk of or are experiencing homelessness. Key continued to deliver a floating support contract funded by South Ribble Borough Council.
- ◆ Big Lottery - Help Through Crisis funding that provides support to homeless young people to resolve the crisis and to prevent the crisis reoccurring.
- ◆ Children In Need funding has continued - this contributes to the costs of Key's Employment Coaching Project, which supports vulnerable young people to build their confidence and to enter work, training or education as well as funding our Assets Coach role. Key has secured additional funding from Children In Need to support its family conflict resolution service.
- ◆ Key continues to deliver tenancy related support to those placed in interim/temporary accommodation funded by Fylde Borough Council.
- ◆ Over the last year Key has continued to be funded by Progress Housing Group to provide Critical Tenancy Support to tenants who are at high risk of losing their tenancies.
- ◆ Key has further developed its Community Work focussed at The Base on the Broadfield Estate in Leyland including the launch of The Base-One Stop which is a community food project
- ◆ Key has been supported by a Nationwide Building Society community grant and Merriweather charity to fund a Housing Coach post that provides support to young people in their first tenancy.

Coronavirus (COVID-19)

Key have considered the potential impacts to the charity arising from the Coronavirus pandemic. The main area of risk is regarding the Emotional Health and Wellbeing contract which is our largest income contract.

Lancashire County Council who fund this work have varied the payment terms for the year in order to help mitigate some of the financial risks, payments remain based on the number of referrals but do not require cases to be successfully completed. The commissioners have reviewed this mechanism on a quarterly basis.

A number of team members were furloughed at the beginning of the pandemic due to reduced referrals. Furlough was brought to an end in the autumn due to an increase in demand. Key's Board made a decision to repay the majority of furlough income as the new payment arrangements have meant that Key's income has been sufficiently protected.

Financial review

Income has increased significantly from £674k in 2019/20 to £768k in 2020/21. Costs have reduced slightly from £593k, to £582k resulting in net income of £186k. Total funds therefore stood at £573k at 31 March 2021. The Emotional Health and Wellbeing contract continues to be the funding stream where variance can be most significant. This is due to the payment by results nature of the contract. Although referrals were impacted at the start of the pandemic the revised payment mechanism and strong performance has meant that expected income had been increased during the year. The budget is set prudently to allow for a range of factors that can negatively impact on performance. The trustees have continued to focus on ensuring that sufficient cash flow is available.

Key, in partnership with Child Action North West, will continue to deliver this Emotional Health and Wellbeing service in the coming year.

For the year ahead, Key will be taking over the provision of support services at a number of supported housing schemes that provide accommodation and support for people who have experienced homelessness. This will lead to a significant increase in Key's income.

Key performance indicators

During the year Key's Board strengthened the approach to performance management. They have retained the quantitative indicators below but this is now supplemented by a range of qualitative information which offers greater insight.

| Key Objective | Performance Indicator | Target | Actual |
|---|--|--------|--------|
| Supporting People to reach their potential | % of young people given employment coaching who have gone into employment training or education | 75% | 83% |
| | % of young people who have sustained education, employment or training for 3 months | 80% | 100% |
| Support people to develop self-confidence and wellbeing | % of Key service users who show an improvement in their wellbeing | 95% | 99% |
| Prevent Homelessness | % of Key clients who achieve a positive outcome. | 75% | 99% |
| Strengthening families | % of Families we work with who make positive changes. | 95% | 99% |
| | % of cases where increased communication and reduced conflict is reported when the case is followed up 1 month after case closure. | 95% | 100% |

Principal funding sources

The principal funding source for Key is mainly funding income from Lancashire County Council. In addition we have funding from South Ribble Borough, Chorley Borough and Fylde Borough Councils, Progress Housing Group and a number of grant making foundations. Looking to the future it will be necessary to maintain and further diversify this funding base. This is an ongoing task as none of Key's income is long term.

Investment Policy

Aside from retaining a prudent amount of reserves each year, most of Key's funds are to be spent in the short-term and therefore Key does not retain any funds for long-term investment. It is necessary for Key's reserves to remain accessible due to the volatility of the funding climate and to ensure that there are sufficient funds to manage its cash flow linked to the payment by results contract.

Reserves Policy

Key's board have examined the charity's requirements for reserves considering the main risks to the organisation. It has established a policy whereby reserves are held to cover redundancy, sickness and running costs at a level between three and six months. The reserves are needed to meet the working capital requirements of the charity which are significant especially with the continuation of the payment by results contract. The trustees feel that this level of reserves is necessary to protect the charity's services in such uncertain times. The board will also consider, on an on-going basis, the extent to which existing activities and expenditure could be curtailed should such circumstances arise.

Going Concern

The trustees continue to adopt the going concern basis of accounting after considering its financial position at 31 March, its budget for the coming year, its reserves policy, risk management and the ongoing impact of COVID-19, all as detailed in this strategic report. The main factor for Key is how contracts are managed, contract retention continues to be good, however, when contracts are lost Key's management are able to take immediate action to reduce costs at the same time as loss of income. On this basis, the trustees have a reasonable expectation that Key has adequate resources to continue in operational existence for the foreseeable future.

Future plans

Key has been successful in diversifying its services whilst maintaining a clear focus on providing high quality, flexible, individually tailored services during the next financial year.

Key will continue to deliver on its expanded geographic footprint next year as part of a partnership that will deliver Emotional Health and Wellbeing services commissioned by Lancashire County Council. Key will deliver services across Lancashire. Key's board have also taken the decision to invest some of Key's reserves in creating a new Business Development Manager role within Key. This role will give additional capacity to draw in new income streams so that Key can achieve its aims and deliver more quality services to people across Lancashire.

Risk management

The board has conducted a review of major risks to which the charity is exposed. A strategic risk register is updated on a regular basis. Where appropriate, systems or procedures have been established to mitigate the risks the charity faces. There are significant external risks to funding. The Business Plan highlights the need to diversify funding streams and there has been some success with this ongoing task.

"I don't feel like having dyslexia is a bad thing anymore, my confidence has grown."

Internal control risks are minimised by the implementation of procedures for authorisation of all transactions and projects. These have been strengthened as a result of becoming part of the Group. In addition, Key has retained its Investors in People (IIP) accreditation as part of the Group.

Procedures are in place to ensure compliance with health and safety of staff, volunteers, clients and visitors to Key's premises. Key has adapted quickly during the pandemic and its support services are currently working using a range of media including telephone and video link technology with workers based at home. Some services are offering face to face work where there is not a suitable alternative. Ways of working have been adapted to ensure that social distancing is maintained.

Key has been successful in retaining ISO 9001 compliance alongside other members of the Group. Key is committed to the on-going evaluation of all its services including undertaking a wide range of stakeholders' reviews.

Governance

Following its annual review of the charity's compliance with the provisions of 'the Charity Governance Code for smaller charities' the Board of Trustees has concluded that it meets the principles set out within the code. The board is committed to continuous improvement and embedding of the new requirements of the code.

Public benefit

The charitable work that Key undertakes through its trustees and employees is to provide services to people who are in need, hardship or distress due to homelessness or the threat of homelessness and to provide a range of services that relieve these conditions and promote their health and wellbeing. In addition, the Objects of the charity are progressed by delivery of services to vulnerable people that find themselves in conditions of need or distress due to their family or personal circumstances.

The charity provides these services free at the point of access, which ensures that its service users are not prohibited from access to services on the basis of cost. Many of the services can only be accessed by specified referral routes. Systems are in place to ensure that all referrals accepted are in line with Key's charitable objectives.

The benefits of Key's services to its clients include:

- ◆ access to safe, affordable accommodation, either short or long term, thereby avoiding the dangers of unsafe sofa surfing or rough sleeping;
- ◆ appropriate support, advocacy and information and life skills training, enabling them to maintain and keep a tenancy and avoid the 'revolving door' syndrome of repeat homelessness;
- ◆ mediation/family therapy where they can return to a better family situation, reducing the risk of homelessness and family conflict;
- ◆ exploring their problems through therapy to help them focus on a more positive future;
- ◆ learning about their options for training and employment with the support of our employment coach to help them become more confident and self-sufficient;

- ◆ improving their emotional health and wellbeing by working on a range of creative strategies to build resilience of young people and their families;
- ◆ working with children and families to offer specialist support for children with autism so that families can improve their knowledge and strategies to help children and young people have a brighter future;
- ◆ being involved in running or taking part in a range of community activities from The Base in Leyland and;
- ◆ being able to access high quality food at a low cost through The Base-One Stop.

In discharging their duties the trustees ensure that through their business planning and policy decisions that the Objects of the charity are furthered by providing services to its charitable beneficiaries in the furtherance of its public benefit purposes.

The trustees have due regard to guidance produced by the Charity Commission.

Statement of disclosure to the auditor

At the time of approval of this report:

- a) so far as the Board of Trustees is aware, there is no relevant audit information of which the Charity's auditor is unaware; and
- b) the Board of Trustees has taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of Key Unlocking Futures Limited will be held on 6 September 2021.

Approved by order of the Trustees' and signed by order of the Trustees.

DocuSigned by:

 Lynne Cubbin
 Trustee Chair

21 July 2021

Statement of Trustees' responsibilities

The trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and accounting estimates that are reasonable and prudent; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

“He has been expressing himself, talking as opposed to getting angry. His communication had really improved.”

“The strategies we have learnt have been a game changer for us.”

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

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the trustees. The trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to members of Key Unlocking Futures Limited

Opinion on the financial statements

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Key Unlocking Futures Limited ("the Charitable Company") for the year ended 31 March 2021 which comprise the statement of financial activities, the balance sheet 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)¹.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Charitable Company in accordance with the ethical requirements 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 related to going concern

In auditing the financial statements, we have concluded that the Trustees' 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 Charitable 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 Trustees with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to members of Key Unlocking Futures Limited

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- ◆ the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Directors' Report, which is included in the Trustees' Report, has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Trustee's report.

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

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

Independent auditor's report to members of Key Unlocking Futures Limited

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines 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 Trustees are responsible for assessing the Charitable 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 Trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 and accumulated knowledge of the Charitable Company, and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to its registration with the Charities Commission, and we considered the extent to which non-compliance might have a material effect on the financial statements or its continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Charities Statement of Recommended Practice (SORP) 2019 and tax legislation. All audit team members were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated managements' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an 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.

Our audit procedures in response to the risks identified above included, but were not limited to:

- ◆ agreement of the financial statement disclosures to underlying supporting documentation;
- ◆ challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverability of balances outstanding at the year end

- ◆ discussions with, and inquiries of, management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- ◆ enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
- ◆ obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- ◆ review of relevant registers such as those associated with risk and fraud;
- ◆ identifying and testing journal entries identified as potentially unusual, in particular considering whether there any journal entries posted by staff members with privileged access rights or key management;
- ◆ a review of minutes of meetings of those charged with governance both during the period, and post year end;
- ◆ considering internal audit findings; and
- ◆ considering whether there is any correspondence with HMRC and the Charities Commission.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://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 Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

 81F5AA2CB0C949D...
Hamid Ghafoor
 (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
 Manchester

Date: **30 July 2021**

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

Statement of Financial Activities

for the year ended 31 March 2021

| | Notes | Unrestricted funds 2021 £ | Restricted funds 2021 £ | Total funds 2021 £ | Total funds 2020 £ |
|--|-----------|---------------------------------|-------------------------------|--------------------------|--------------------------|
| Income from: | | | | | |
| Donations and Legacies | 2 | 3,745 | - | 3,745 | 1,451 |
| Investments | 3 | 434 | - | 434 | 1,921 |
| Charitable activities | 4 | 636,093 | 127,629 | 763,722 | 670,236 |
| Total | | 640,272 | 127,629 | 767,901 | 673,608 |
| Expenditure on: | | | | | |
| Charitable activities | 5 | (453,821) | (125,085) | (578,906) | (590,614) |
| Governance costs | 5 | (2,740) | - | (2,740) | (2,634) |
| Total | | (456,561) | (125,085) | (581,646) | (593,248) |
| Net income/(expenditure) for the year | | 183,711 | 2,544 | 186,255 | 80,360 |
| Net movement in funds | | 183,711 | 2,544 | 186,255 | 80,360 |
| Reconciliation of funds | | | | | |
| Funds brought forward | 11 | 388,793 | (2,424) | 386,369 | 306,009 |
| Movement of funds in the year | 11 | 183,711 | 2,544 | 186,255 | 80,360 |
| Total funds carried forward | 11 | 572,504 | 120 | 572,624 | 386,369 |

Balance Sheet

As at 31 March 2021

| | Notes | Total funds 2021 £ | Total funds 2020 Restated £ |
|--|-------|--------------------------|--------------------------------------|
| Current assets: | | | |
| Debtors | 9 | 15,934 | 78,747 |
| Cash and Cash equivalents | | 613,524 | 386,078 |
| Total current assets | | 629,458 | 464,825 |
| Liabilities: | | | |
| Creditors: Amounts falling due within one year | 10 | (56,834) | (78,456) |
| Net current assets | | 572,624 | 386,369 |
| The funds of the charity: | | | |
| Restricted funds | | 120 | (2,424) |
| Unrestricted funds | | 572,504 | 388,793 |
| Total charity funds | 11 | 572,624 | 386,369 |

The notes on pages 15 to 19 form an integral part of the financial statements.

The financial statements on pages 13 to 14 were approved by the Board of Trustees on 21 July 2021 and were signed on its behalf by:

DocuSigned by:

 63F0B940C7EB455...
Lynne Cubbin
 Trustee Chair

DocuSigned by:

 86528D2CCA70405...
Kaye Grogan
 Trustee Director

DocuSigned by:

 B9A1708E655B4A5...
Deborah Atherton
 On behalf of Progress Housing Group Limited

Company number: 8699413
 Date: 21 July 2021

Notes to the financial statements for the year ended 31 March 2021

1. Accounting policies and basis of accounting

Key Unlocking Futures Limited is a private company limited by guarantee registered in England company number 8699413 and is a registered charity number 1154772.

(a) Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

Designated funds are unrestricted funds earmarked by the Board of Trustees for particular purposes.

Restricted funds are subjected to restrictions on their expenditure imposed by the donor.

(b) Basis of accounting

The financial statements of Key Unlocking Futures Limited are prepared on an accruals basis in accordance with applicable financial reporting standards in the UK, FRS102 and the Charities Statement of Recommended Practice (SORP) issued in 2019.

(c) Incoming resources

All incoming resources are included in the Statement of Financial Activities on an accruals basis relating to the period of the financial statements. Where income is subject to certain performance conditions, income is recognised when the conditions are met.

(d) Resources expended

All expenditure is included in the Statement of Financial Activities on an accruals basis relating to the period of the financial statements.

(e) Going Concern

The charity's activities with the factors likely to affect its future development and position are set out in the report of the Trustees.

On the basis of their assessment of the charity's financial position, its budget for the coming year, its reserves policy, risk management and the ongoing impact of COVID-19 the Trustees have a reasonable expectation that the charity will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(f) Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

(g) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The directors do not consider there to be any significant estimates of judgements in the preparation of the financial statements.

Notes to the financial statements

for the year ended 31 March 2021

2. Donations

| | Unrestricted 2021 £ | Unrestricted 2020 £ |
|-------------------|---------------------------|---------------------------|
| Private Donations | 3,745 | 1,451 |

3. Investment income

Investment income is interest earned from a savings account from which funds are withdrawable within one day.

4. Incoming resources from charitable activities

| | Unrestricted | Restricted | Total | Unrestricted Restated | Restricted Restated | Total |
|--------------------------------------|--------------|------------|-----------|--------------------------|------------------------|-----------|
| | 2021 £ | 2021 £ | 2021 £ | 2020 £ | 2020 £ | 2020 £ |
| Local Authority Commissioners | 94,137 | - | 94,137 | 92,500 | - | 92,500 |
| Children in Need | - | 51,530 | 51,530 | - | 45,990 | 45,990 |
| Big Lottery Help through Crisis Fund | - | 30,698 | 30,698 | - | 27,503 | 27,503 |
| Emotional Health | 402,567 | - | 402,567 | 283,343 | - | 283,343 |
| ESIF Grant Income | - | - | - | 57,962 | - | 57,962 |
| Progress Housing Association | 80,536 | - | 80,536 | 46,915 | - | 46,915 |
| Critical Tenancy Support | - | - | - | - | - | - |
| Wellbeing Challenge | - | 11,500 | 11,500 | - | 16,560 | 16,560 |
| Community Development | 32,521 | - | 32,521 | 33,207 | - | 33,207 |
| Merrweather Grant | 12,643 | - | 12,643 | 13,461 | - | 13,461 |
| Tesco Bags for Help Grant | - | - | - | - | 4,000 | 4,000 |
| Nationwide Grant | - | 21,113 | 21,113 | - | 28,887 | 28,887 |
| Awards for All | - | 5,648 | 5,648 | - | 1,811 | 1,811 |
| Government Grant (Furlough) | 5,886 | - | 5,886 | 515 | - | 515 |
| Other | 7,803 | 7,140 | 14,943 | 12,800 | 4,782 | 17,582 |
| | 636,093 | 127,629 | 763,722 | 540,703 | 129,533 | 670,236 |

Community development income of £33,207 for 2020 has been restated as unrestricted - as covered in the prior period adjustment note 12

Notes to the financial statements

for the year ended 31 March 2021

| | Unrestricted | Restricted | Governance | Total | Unrestricted | Restricted | Governance | Total |
|---------------------------------------|--------------|------------|------------|---------|--------------|------------|------------|---------|
| 5. Total Resources Expended | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 | 2020 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Activities undertaken directly | | | | | | | | |
| Trustee expenses | 37 | - | - | 37 | 110 | - | - | 110 |
| Staff costs | 294,625 | 99,691 | - | 394,316 | 313,262 | 99,393 | - | 412,655 |
| Travel | 5,871 | 503 | - | 6,374 | 346 | 1,255 | - | 1,601 |
| Other | 17,525 | 8,307 | - | 25,832 | 30,163 | 3,323 | - | 33,486 |
| Support costs | | | | | | | | |
| General office costs | 31,362 | 3,050 | - | 34,412 | 12,77 | 14,394 | - | 27,171 |
| Staff costs | 98,620 | 13,534 | 2,740 | 114,894 | 96,962 | 12,510 | 2,634 | 112,106 |
| Training | 2,290 | - | - | 2,290 | 2,297 | - | - | 2,297 |
| Premises | 3,145 | - | - | 3,145 | 3,454 | - | - | 3,454 |
| Bank charges | 346 | - | - | 346 | 368 | - | - | 368 |
| | 453,821 | 125,085 | 2,740 | 581,646 | 459,739 | 130,875 | 2,634 | 593,248 |

Total costs include auditor's remuneration of £4,000 (exclusive of VAT) (2020: £4,000)

6. Wages and salaries

| | 2021 | 2020 |
|-----------------------|---------|---------|
| | £ | £ |
| Wages and salaries | 462,786 | 459,500 |
| Social security costs | 35,305 | 34,412 |
| Other pension costs | 10,635 | 11,034 |
| Total | 508,726 | 504,946 |

No employees received emoluments of more than £60,000

| The average number of persons employed during the year was: | 2021 | 2020 |
|---|------|------|
| Administration Staff | 18 | 17 |
| | 18 | 17 |

Full time equivalents are calculated based on a standard working week of 36.5 hours for all employees

Notes to the financial statements

for the year ended 31 March 2021

7. Trustee remuneration and related party transactions

Expenses of £37 (2020: £110) were reimbursed to one member of the Board of Trustees (2020: One) to cover travel and other related costs incurred by them in the fulfilment of their duties.

During the year the charity had the following intra-group transactions with companies controlled by Progress Housing Group Limited, the ultimate parent company

| | | | 2021 | 2020 |
|---|----------------------------|----------------------------------|--------|--------|
| Purpose | Payment to | Payment from | £ | £ |
| Critical tenancy support | Key Unlocking Futures | Progress Housing Association Ltd | 80,536 | 46,915 |
| Community investment | Key Unlocking Futures | Progress Housing Association Ltd | 27,996 | 27,741 |
| Employment coaching and support for PHA tenants | Key Unlocking Futures | Progress Housing Group Ltd | - | 9,735 |
| Corporate services received | Progress Housing Group Ltd | Key Unlocking Futures | 22,374 | 22,000 |

At the end of the year £7,534 was owed by Progress Housing Group Limited to Key Unlocking Futures Limited (2020: £3,007 owing to Progress Housing Group).

8. Taxation

As a charity, Key Unlocking Futures Limited is exempt from tax on income and gains falling within sections 466 to 493 of the Corporation Tax Act 2010 or s256 of the Taxation of Charitable Gains Act 1992 to the extent that these are applied to its charitable objectives.

9. Debtors

| | 2021 | 2020 |
|--------------------------------------|--------|--------|
| Amounts falling due within one year: | £ | £ |
| Prepayments and accrued income | - | 515 |
| Amounts owed by group companies | 7,534 | - |
| Trade Debtors | 8,400 | 78,232 |
| | 15,934 | 78,747 |

Amounts due from group companies are repayable on demand and do not attract interest.

10. Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---------------------------------|--------|--------|
| | £ | £ |
| Amounts owed to group companies | - | 3,007 |
| Accruals and deferred income | 44,933 | 64,393 |
| Employer Liabilities | 11,833 | 10,298 |
| Other creditors | 68 | 758 |
| | 56,834 | 78,456 |

Standard payment terms are 30 days from date of invoice.

Included in the accruals and deferred income is £36,222 unrestricted and £7,523 restricted income (2020: £30,476 and £32,619)

Other intragroup balances are repayable on demand and do not attract interest.

Notes to the financial statements

for the year ended 31 March 2021

| 11. Movement in funds | 1 April 2020 | Increase in funds in the year | Transfers between funds | 31 March 2021 |
|---------------------------------------|-----------------|-------------------------------------|-------------------------------|------------------|
| | £ | £ | £ | £ |
| Restricted Reserves | (2,424) | 2,544 | - | 120 |
| Unrestricted Reserves - Designated | 388,793 | - | 183,711 | 572,504 |
| Unrestricted Reserves - General Funds | - | 183,711 | (183,711) | - |
| Total Funds | 386,369 | 186,255 | - | 575,472 |

| | | | | |
|---------------------------------------|-----------------|-------------------------------------|---|------------------|
| | 1 April 2019 | Increase in funds in the year | Transfers between Funds Restated | 31 March 2020 |
| | £ | £ | £ | £ |
| Restricted Reserves | (1,802) | (1,342) | - | (2,424) |
| Unrestricted Reserves - Designated | 307,091 | - | 81,702 | 388,793 |
| Unrestricted Reserves - General Funds | - | 81,702 | (81,702) | - |
| Total Funds | 306,009 | 80,360 | - | 386,369 |

There have been no transfers from these reserves for any purpose other than those for which the reserve was created. Surplus transferred to designated reserves agreed is in line with the reserves policy for holding three to six months running costs.

12. Cash flow

The accounts have been restated to incorporate the impact of a misclassification of £33,207 income between Restricted and Unrestricted in 2020, and also an immaterial adjustment of £1,082 between Restricted and Unrestricted funds in 2020. This change has resulted in the restatement of the following:

| Balance Sheet | As previously reported | Adjustment | As restated |
|----------------------------|------------------------|------------|----------------|
| The funds of the charity: | | | |
| Restricted Funds | 31,865 | (34,289) | (2,424) |
| Unrestricted Funds | 354,504 | 34,289 | 388,793 |
| Total Charity Funds | 386,369 | - | 386,369 |

13. Cash flow

Under FRS102 the Trustees have decided not to publish a cash flow as a cash flow statement is produced for the Group consolidated accounts.

14. Ultimate Parent company

Progress Housing Group Limited is the ultimate parent company of Key Unlocking Futures Limited. Progress Housing Group Limited IP28685R consolidated financial statements can be obtained from the Group's website or from the Company Secretary at the registered office:

Sumner House
21 King Street
Leyland
Lancashire
PR25 2LW



w: www.keyyouthcharity.org.uk
e: help@keyyouthcharity.org.uk
01772 678979

2 Balfour Court, Leyland,
Lancashire PR25 2TF



Key Unlocking Futures Limited
is a subsidiary of Progress Housing Group Limited.
Key Unlocking Futures is registered as a Company Limited by
Guarantee No. 8699413 and a Registered Charity No. 1154772

VAT registration number 712 6635 46.

Registered office for the Group and all subsidiaries:
Sumner House, 21 King Street, Leyland, Lancashire, PR25 2LW



KEY UNLOCKING FUTURES LIMITED

Annual Accounts 2021

Financial statements for the year
ended 31 March 2021

Charity registration number: 1154772
Company registration number: 8699413



Contents

| | Page |
|---|------|
| Members of the board of management and registered office | 1 |
| Trustees' report | 2 |
| Statement of Trustees' responsibilities | 8 |
| Independent auditor's report to members of Key Unlocking Futures Limited | 9 |
| Statement of Financial Activities | 13 |
| Balance Sheet | 14 |
| Notes to the financial statements | 15 |

Members of the board of management and registered office

Charitable Trustees

| | |
|------------|-------|
| L Cubbin | Chair |
| A Bancroft | |
| R Barham | |
| E Davies | |
| K Grogan | |
| M Hallmark | |
| N Townsend | |
| S Haslam | |

Company Secretary

Progress Housing Group Limited

Principal Office

Unit 2 Balfour Court
Leyland
Lancashire
PR25 2TF

Registered Office

Sumner House
21 King St
Leyland
Lancashire
PR25 2LW

Auditors

BDO LLP
3 Hardman Street
Manchester
M3 3AT

Company Details

Registered charity number: 1154772
Company number: 8699413

Trustees' report

Memorandum and Articles of Association

The charity is governed by its Articles of Association.

Strategic report

Objects

The charity's objects (Objects) are specifically restricted to the following:

- ◆ the prevention or relief of poverty for those who are vulnerable or homeless and are in conditions of need, hardship and distress;
- ◆ the relief of those in need who are vulnerable or homeless and in conditions of need, hardship or distress;
- ◆ the advancement of education of the public generally on issues affecting the said beneficiaries; and
- ◆ the advancement of citizenship or community development.

Key Unlocking Futures Limited (Key) has worked hard during 2020/21 in order to deliver against the strategic objectives set out in its Business Plan. Despite the challenges presented by the COVID 19 pandemic, Key has been successful in delivering against these objectives. Key has met and achieved all its key performance indicators from its balanced scorecard, which includes customer, financial and process indicators.

“You are one of the best workers I have met, you are super nice and he has helped my life get better.”

Mission and values

Mission

Helping people build better lives.

Aims

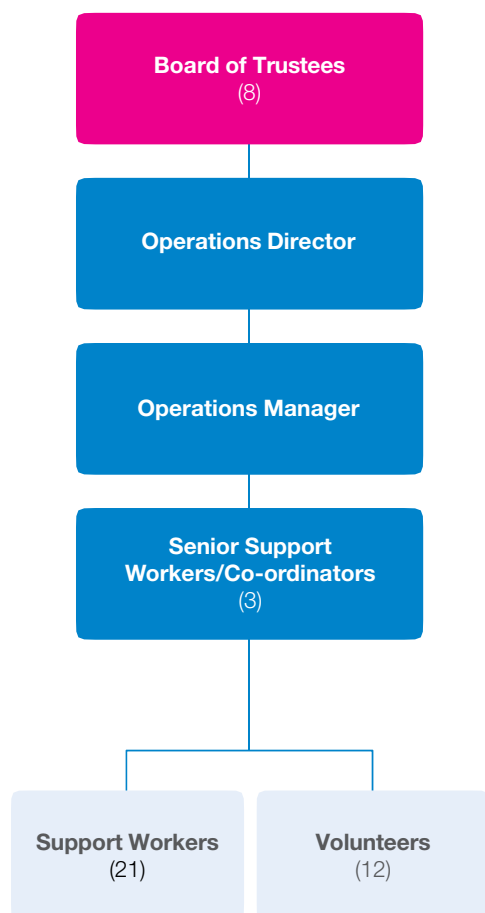
- ◆ Key will continue to build a strong and adaptable organisation working in partnership with like-minded organisations
- ◆ Key remains focused on person led approaches to build resilient individuals so that they can move through difficult times
- ◆ Key will continue to provide high quality support by asking people who use our services and stakeholders if we are getting it right, as well as providing learning opportunities across the team.
- ◆ Key will work to explore how we can expand our offer in related areas and whether we can sell established services in different ways.

Values

- ◆ Value 1: Putting people first
- ◆ Value 2: Working in partnership
- ◆ Value 3: Delivering quality services
- ◆ Value 4: Being a great place to work
- ◆ Value 5: Looking to the future

Trustees' report continued

Organisational structure



Key is linked to Progress Housing Group (the Group) by way of a Grouping Deed. Key's Board of Trustees (the board) retains responsibility for establishing Key's strategic direction and setting and managing its budget. This being said, should Key's board fail to manage the charity effectively, the Grouping Deed sets out how Progress Housing Group Limited (the Parent) can step in to rectify the situation or to make any changes. In order to manage Key effectively within a group structure, Key works within the Group's wider financial regulations as well as having adopted a number of the Group's policies and procedures. Key has adopted a Code of Governance: The Charity Governance Code for smaller charities and reports compliance annually against its principles and key outcomes. Key is included in the internal audit process and this is reported to the Audit Committee like any other part of the Group.

New trustees

New trustees are recruited to Key using an open recruitment process. A vacancy is advertised and prospective candidates are asked to make an application for the role. Role descriptions are made available and suitable applicants are shortlisted and interviewed. The successful candidate is subject to appropriate due diligence prior to being recommended for appointment to the board. Once appointed, the trustee's undertake a structured induction process, which includes the history of Key and its charitable purposes, an overview of the Group and its structure, Key's Vision and Values, the Companies Act 2006, the Charities Act 2011 and the Trustees Act 2000, Charity Commission Guide – The Essential Trustee, safeguarding, Memorandum and Articles of Association, Standing Orders, Code of Governance, Code of Conduct and more. The trustees are required to confirm their fitness to act against a range of criteria on an annual basis.

“It helped me the fact that someone listened to me. And it me overall. I feel a lot better, I cannot explain why, just feel it. Everything has got better.”

Significant activities

- ◆ Key's largest source of funding is to deliver an early intervention service to improve children and young people's emotional health and wellbeing. This is funded by Lancashire County Council. This service has a significant 'payment by results' element. The staffing used to deliver this service is predominantly of a therapeutic nature. Key continues to use a mixture of permanent staffing and casual staff to make sure it can flexibly meet its staffing requirements.
- ◆ South Ribble and Chorley Borough Council - funding supports family conflict resolution / therapy and drop in services that work with young people who are at risk of or are experiencing homelessness. Key continued to deliver a floating support contract funded by South Ribble Borough Council.
- ◆ Big Lottery - Help Through Crisis funding that provides support to homeless young people to resolve the crisis and to prevent the crisis reoccurring.
- ◆ Children In Need funding has continued - this contributes to the costs of Key's Employment Coaching Project, which supports vulnerable young people to build their confidence and to enter work, training or education as well as funding our Assets Coach role. Key has secured additional funding from Children In Need to support its family conflict resolution service.
- ◆ Key continues to deliver tenancy related support to those placed in interim/temporary accommodation funded by Fylde Borough Council.
- ◆ Over the last year Key has continued to be funded by Progress Housing Group to provide Critical Tenancy Support to tenants who are at high risk of losing their tenancies.
- ◆ Key has further developed its Community Work focussed at The Base on the Broadfield Estate in Leyland including the launch of The Base-One Stop which is a community food project
- ◆ Key has been supported by a Nationwide Building Society community grant and Merriweather charity to fund a Housing Coach post that provides support to young people in their first tenancy.

Coronavirus (COVID-19)

Key have considered the potential impacts to the charity arising from the Coronavirus pandemic. The main area of risk is regarding the Emotional Health and Wellbeing contract which is our largest income contract.

Lancashire County Council who fund this work have varied the payment terms for the year in order to help mitigate some of the financial risks, payments remain based on the number of referrals but do not require cases to be successfully completed. The commissioners have reviewed this mechanism on a quarterly basis.

A number of team members were furloughed at the beginning of the pandemic due to reduced referrals. Furlough was brought to an end in the autumn due to an increase in demand. Key's Board made a decision to repay the majority of furlough income as the new payment arrangements have meant that Key's income has been sufficiently protected.

Financial review

Income has increased significantly from £674k in 2019/20 to £768k in 2020/21. Costs have reduced slightly from £593k, to £582k resulting in net income of £186k. Total funds therefore stood at £573k at 31 March 2021. The Emotional Health and Wellbeing contract continues to be the funding stream where variance can be most significant. This is due to the payment by results nature of the contract. Although referrals were impacted at the start of the pandemic the revised payment mechanism and strong performance has meant that expected income had been increased during the year. The budget is set prudently to allow for a range of factors that can negatively impact on performance. The trustees have continued to focus on ensuring that sufficient cash flow is available.

Key, in partnership with Child Action North West, will continue to deliver this Emotional Health and Wellbeing service in the coming year.

For the year ahead, Key will be taking over the provision of support services at a number of supported housing schemes that provide accommodation and support for people who have experienced homelessness. This will lead to a significant increase in Key's income.

Key performance indicators

During the year Key's Board strengthened the approach to performance management. They have retained the quantitative indicators below but this is now supplemented by a range of qualitative information which offers greater insight.

| Key Objective | Performance Indicator | Target | Actual |
|---|--|--------|--------|
| Supporting People to reach their potential | % of young people given employment coaching who have gone into employment training or education | 75% | 83% |
| | % of young people who have sustained education, employment or training for 3 months | 80% | 100% |
| Support people to develop self-confidence and wellbeing | % of Key service users who show an improvement in their wellbeing | 95% | 99% |
| Prevent Homelessness | % of Key clients who achieve a positive outcome. | 75% | 99% |
| Strengthening families | % of Families we work with who make positive changes. | 95% | 99% |
| | % of cases where increased communication and reduced conflict is reported when the case is followed up 1 month after case closure. | 95% | 100% |

Principal funding sources

The principal funding source for Key is mainly funding income from Lancashire County Council. In addition we have funding from South Ribble Borough, Chorley Borough and Fylde Borough Councils, Progress Housing Group and a number of grant making foundations. Looking to the future it will be necessary to maintain and further diversify this funding base. This is an ongoing task as none of Key's income is long term.

Investment Policy

Aside from retaining a prudent amount of reserves each year, most of Key's funds are to be spent in the short-term and therefore Key does not retain any funds for long-term investment. It is necessary for Key's reserves to remain accessible due to the volatility of the funding climate and to ensure that there are sufficient funds to manage its cash flow linked to the payment by results contract.

Reserves Policy

Key's board have examined the charity's requirements for reserves considering the main risks to the organisation. It has established a policy whereby reserves are held to cover redundancy, sickness and running costs at a level between three and six months. The reserves are needed to meet the working capital requirements of the charity which are significant especially with the continuation of the payment by results contract. The trustees feel that this level of reserves is necessary to protect the charity's services in such uncertain times. The board will also consider, on an on-going basis, the extent to which existing activities and expenditure could be curtailed should such circumstances arise.

Going Concern

The trustees continue to adopt the going concern basis of accounting after considering its financial position at 31 March, its budget for the coming year, its reserves policy, risk management and the ongoing impact of COVID-19, all as detailed in this strategic report. The main factor for Key is how contracts are managed, contract retention continues to be good, however, when contracts are lost Key's management are able to take immediate action to reduce costs at the same time as loss of income. On this basis, the trustees have a reasonable expectation that Key has adequate resources to continue in operational existence for the foreseeable future.

Future plans

Key has been successful in diversifying its services whilst maintaining a clear focus on providing high quality, flexible, individually tailored services during the next financial year.

Key will continue to deliver on its expanded geographic footprint next year as part of a partnership that will deliver Emotional Health and Wellbeing services commissioned by Lancashire County Council. Key will deliver services across Lancashire. Key's board have also taken the decision to invest some of Key's reserves in creating a new Business Development Manager role within Key. This role will give additional capacity to draw in new income streams so that Key can achieve its aims and deliver more quality services to people across Lancashire.

Risk management

The board has conducted a review of major risks to which the charity is exposed. A strategic risk register is updated on a regular basis. Where appropriate, systems or procedures have been established to mitigate the risks the charity faces. There are significant external risks to funding. The Business Plan highlights the need to diversify funding streams and there has been some success with this ongoing task.

"I don't feel like having dyslexia is a bad thing anymore, my confidence has grown."

Internal control risks are minimised by the implementation of procedures for authorisation of all transactions and projects. These have been strengthened as a result of becoming part of the Group. In addition, Key has retained its Investors in People (IIP) accreditation as part of the Group.

Procedures are in place to ensure compliance with health and safety of staff, volunteers, clients and visitors to Key's premises. Key has adapted quickly during the pandemic and its support services are currently working using a range of media including telephone and video link technology with workers based at home. Some services are offering face to face work where there is not a suitable alternative. Ways of working have been adapted to ensure that social distancing is maintained.

Key has been successful in retaining ISO 9001 compliance alongside other members of the Group. Key is committed to the on-going evaluation of all its services including undertaking a wide range of stakeholders' reviews.

Governance

Following its annual review of the charity's compliance with the provisions of 'the Charity Governance Code for smaller charities' the Board of Trustees has concluded that it meets the principles set out within the code. The board is committed to continuous improvement and embedding of the new requirements of the code.

Public benefit

The charitable work that Key undertakes through its trustees and employees is to provide services to people who are in need, hardship or distress due to homelessness or the threat of homelessness and to provide a range of services that relieve these conditions and promote their health and wellbeing. In addition, the Objects of the charity are progressed by delivery of services to vulnerable people that find themselves in conditions of need or distress due to their family or personal circumstances.

The charity provides these services free at the point of access, which ensures that its service users are not prohibited from access to services on the basis of cost. Many of the services can only be accessed by specified referral routes. Systems are in place to ensure that all referrals accepted are in line with Key's charitable objectives.

The benefits of Key's services to its clients include:

- ◆ access to safe, affordable accommodation, either short or long term, thereby avoiding the dangers of unsafe sofa surfing or rough sleeping;
- ◆ appropriate support, advocacy and information and life skills training, enabling them to maintain and keep a tenancy and avoid the 'revolving door' syndrome of repeat homelessness;
- ◆ mediation/family therapy where they can return to a better family situation, reducing the risk of homelessness and family conflict;
- ◆ exploring their problems through therapy to help them focus on a more positive future;
- ◆ learning about their options for training and employment with the support of our employment coach to help them become more confident and self-sufficient;

- ◆ improving their emotional health and wellbeing by working on a range of creative strategies to build resilience of young people and their families;
- ◆ working with children and families to offer specialist support for children with autism so that families can improve their knowledge and strategies to help children and young people have a brighter future;
- ◆ being involved in running or taking part in a range of community activities from The Base in Leyland and;
- ◆ being able to access high quality food at a low cost through The Base-One Stop.

In discharging their duties the trustees ensure that through their business planning and policy decisions that the Objects of the charity are furthered by providing services to its charitable beneficiaries in the furtherance of its public benefit purposes.

The trustees have due regard to guidance produced by the Charity Commission.

Statement of disclosure to the auditor

At the time of approval of this report:

- a) so far as the Board of Trustees is aware, there is no relevant audit information of which the Charity's auditor is unaware; and
- b) the Board of Trustees has taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of Key Unlocking Futures Limited will be held on 6 September 2021.

Approved by order of the Trustees' and signed by order of the Trustees.

DocuSigned by:

 Lynne Cubbin
 Trustee Chair

21 July 2021

Statement of Trustees' responsibilities

The trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and accounting estimates that are reasonable and prudent; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

“He has been expressing himself, talking as opposed to getting angry. His communication had really improved.”

“The strategies we have learnt have been a game changer for us.”

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

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the trustees. The trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to members of Key Unlocking Futures Limited

Opinion on the financial statements

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Key Unlocking Futures Limited ("the Charitable Company") for the year ended 31 March 2021 which comprise the statement of financial activities, the balance sheet 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)¹.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Charitable Company in accordance with the ethical requirements 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 related to going concern

In auditing the financial statements, we have concluded that the Trustees' 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 Charitable 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 Trustees with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to members of Key Unlocking Futures Limited

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- ◆ the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Directors' Report, which is included in the Trustees' Report, has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Trustee's report.

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

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

Independent auditor's report to members of Key Unlocking Futures Limited

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines 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 Trustees are responsible for assessing the Charitable 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 Trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 and accumulated knowledge of the Charitable Company, and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to its registration with the Charities Commission, and we considered the extent to which non-compliance might have a material effect on the financial statements or its continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Charities Statement of Recommended Practice (SORP) 2019 and tax legislation. All audit team members were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated managements' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an 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.

Our audit procedures in response to the risks identified above included, but were not limited to:

- ◆ agreement of the financial statement disclosures to underlying supporting documentation;
- ◆ challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverability of balances outstanding at the year end

- ◆ discussions with, and inquiries of, management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- ◆ enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
- ◆ obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- ◆ review of relevant registers such as those associated with risk and fraud;
- ◆ identifying and testing journal entries identified as potentially unusual, in particular considering whether there any journal entries posted by staff members with privileged access rights or key management;
- ◆ a review of minutes of meetings of those charged with governance both during the period, and post year end;
- ◆ considering internal audit findings; and
- ◆ considering whether there is any correspondence with HMRC and the Charities Commission.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://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 Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

 81F5AA2CB0C949D...
Hamid Ghafoor
 (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
 Manchester

Date: **30 July 2021**

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

Statement of Financial Activities

for the year ended 31 March 2021

| | Notes | Unrestricted funds 2021 £ | Restricted funds 2021 £ | Total funds 2021 £ | Total funds 2020 £ |
|--|-----------|---------------------------------|-------------------------------|--------------------------|--------------------------|
| Income from: | | | | | |
| Donations and Legacies | 2 | 3,745 | - | 3,745 | 1,451 |
| Investments | 3 | 434 | - | 434 | 1,921 |
| Charitable activities | 4 | 636,093 | 127,629 | 763,722 | 670,236 |
| Total | | 640,272 | 127,629 | 767,901 | 673,608 |
| Expenditure on: | | | | | |
| Charitable activities | 5 | (453,821) | (125,085) | (578,906) | (590,614) |
| Governance costs | 5 | (2,740) | - | (2,740) | (2,634) |
| Total | | (456,561) | (125,085) | (581,646) | (593,248) |
| Net income/(expenditure) for the year | | 183,711 | 2,544 | 186,255 | 80,360 |
| Net movement in funds | | 183,711 | 2,544 | 186,255 | 80,360 |
| Reconciliation of funds | | | | | |
| Funds brought forward | 11 | 388,793 | (2,424) | 386,369 | 306,009 |
| Movement of funds in the year | 11 | 183,711 | 2,544 | 186,255 | 80,360 |
| Total funds carried forward | 11 | 572,504 | 120 | 572,624 | 386,369 |

Balance Sheet

As at 31 March 2021

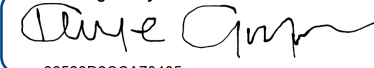
| | Notes | Total funds 2021 £ | Total funds 2020 Restated £ |
|--|-------|--------------------------|--------------------------------------|
| Current assets: | | | |
| Debtors | 9 | 15,934 | 78,747 |
| Cash and Cash equivalents | | 613,524 | 386,078 |
| Total current assets | | 629,458 | 464,825 |
| Liabilities: | | | |
| Creditors: Amounts falling due within one year | 10 | (56,834) | (78,456) |
| Net current assets | | 572,624 | 386,369 |
| The funds of the charity: | | | |
| Restricted funds | | 120 | (2,424) |
| Unrestricted funds | | 572,504 | 388,793 |
| Total charity funds | 11 | 572,624 | 386,369 |

The notes on pages 15 to 19 form an integral part of the financial statements.

The financial statements on pages 13 to 14 were approved by the Board of Trustees on 21 July 2021 and were signed on its behalf by:

DocuSigned by:

 63F0B940C7EB455...
Lynne Cubbin
 Trustee Chair

DocuSigned by:

 86528D2CCA70405...
Kaye Grogan
 Trustee Director

DocuSigned by:

 B9A1708E655B4A5...
Deborah Atherton
 On behalf of Progress Housing Group Limited

Company number: 8699413
 Date: 21 July 2021

Notes to the financial statements for the year ended 31 March 2021

1. Accounting policies and basis of accounting

Key Unlocking Futures Limited is a private company limited by guarantee registered in England company number 8699413 and is a registered charity number 1154772.

(a) Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

Designated funds are unrestricted funds earmarked by the Board of Trustees for particular purposes.

Restricted funds are subjected to restrictions on their expenditure imposed by the donor.

(b) Basis of accounting

The financial statements of Key Unlocking Futures Limited are prepared on an accruals basis in accordance with applicable financial reporting standards in the UK, FRS102 and the Charities Statement of Recommended Practice (SORP) issued in 2019.

(c) Incoming resources

All incoming resources are included in the Statement of Financial Activities on an accruals basis relating to the period of the financial statements. Where income is subject to certain performance conditions, income is recognised when the conditions are met.

(d) Resources expended

All expenditure is included in the Statement of Financial Activities on an accruals basis relating to the period of the financial statements.

(e) Going Concern

The charity's activities with the factors likely to affect its future development and position are set out in the report of the Trustees.

On the basis of their assessment of the charity's financial position, its budget for the coming year, its reserves policy, risk management and the ongoing impact of COVID-19 the Trustees have a reasonable expectation that the charity will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(f) Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

(g) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The directors do not consider there to be any significant estimates of judgements in the preparation of the financial statements.

Notes to the financial statements

for the year ended 31 March 2021

2. Donations

| | Unrestricted 2021 £ | Unrestricted 2020 £ |
|-------------------|---------------------------|---------------------------|
| Private Donations | 3,745 | 1,451 |

3. Investment income

Investment income is interest earned from a savings account from which funds are withdrawable within one day.

4. Incoming resources from charitable activities

| | Unrestricted | Restricted | Total | Unrestricted Restated | Restricted Restated | Total |
|--------------------------------------|--------------|------------|-----------|--------------------------|------------------------|-----------|
| | 2021 £ | 2021 £ | 2021 £ | 2020 £ | 2020 £ | 2020 £ |
| Local Authority Commissioners | 94,137 | - | 94,137 | 92,500 | - | 92,500 |
| Children in Need | - | 51,530 | 51,530 | - | 45,990 | 45,990 |
| Big Lottery Help through Crisis Fund | - | 30,698 | 30,698 | - | 27,503 | 27,503 |
| Emotional Health | 402,567 | - | 402,567 | 283,343 | - | 283,343 |
| ESIF Grant Income | - | - | - | 57,962 | - | 57,962 |
| Progress Housing Association | 80,536 | - | 80,536 | 46,915 | - | 46,915 |
| Critical Tenancy Support | - | - | - | - | - | - |
| Wellbeing Challenge | - | 11,500 | 11,500 | - | 16,560 | 16,560 |
| Community Development | 32,521 | - | 32,521 | 33,207 | - | 33,207 |
| Merriweather Grant | 12,643 | - | 12,643 | 13,461 | - | 13,461 |
| Tesco Bags for Help Grant | - | - | - | - | 4,000 | 4,000 |
| Nationwide Grant | - | 21,113 | 21,113 | - | 28,887 | 28,887 |
| Awards for All | - | 5,648 | 5,648 | - | 1,811 | 1,811 |
| Government Grant (Furlough) | 5,886 | - | 5,886 | 515 | - | 515 |
| Other | 7,803 | 7,140 | 14,943 | 12,800 | 4,782 | 17,582 |
| | 636,093 | 127,629 | 763,722 | 540,703 | 129,533 | 670,236 |

Community development income of £33,207 for 2020 has been restated as unrestricted - as covered in the prior period adjustment note 12

Notes to the financial statements

for the year ended 31 March 2021

| | Unrestricted | Restricted | Governance | Total | Unrestricted | Restricted | Governance | Total |
|---------------------------------------|--------------|------------|------------|---------|--------------|------------|------------|---------|
| 5. Total Resources Expended | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 | 2020 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Activities undertaken directly | | | | | | | | |
| Trustee expenses | 37 | - | - | 37 | 110 | - | - | 110 |
| Staff costs | 294,625 | 99,691 | - | 394,316 | 313,262 | 99,393 | - | 412,655 |
| Travel | 5,871 | 503 | - | 6,374 | 346 | 1,255 | - | 1,601 |
| Other | 17,525 | 8,307 | - | 25,832 | 30,163 | 3,323 | - | 33,486 |
| Support costs | | | | | | | | |
| General office costs | 31,362 | 3,050 | - | 34,412 | 12,77 | 14,394 | - | 27,171 |
| Staff costs | 98,620 | 13,534 | 2,740 | 114,894 | 96,962 | 12,510 | 2,634 | 112,106 |
| Training | 2,290 | - | - | 2,290 | 2,297 | - | - | 2,297 |
| Premises | 3,145 | - | - | 3,145 | 3,454 | - | - | 3,454 |
| Bank charges | 346 | - | - | 346 | 368 | - | - | 368 |
| | 453,821 | 125,085 | 2,740 | 581,646 | 459,739 | 130,875 | 2,634 | 593,248 |

Total costs include auditor's remuneration of £4,000 (exclusive of VAT) (2020: £4,000)

6. Wages and salaries

| | 2021 | 2020 |
|-----------------------|---------|---------|
| | £ | £ |
| Wages and salaries | 462,786 | 459,500 |
| Social security costs | 35,305 | 34,412 |
| Other pension costs | 10,635 | 11,034 |
| Total | 508,726 | 504,946 |

No employees received emoluments of more than £60,000

| The average number of persons employed during the year was: | 2021 | 2020 |
|---|------|------|
| Administration Staff | 18 | 17 |
| | 18 | 17 |

Full time equivalents are calculated based on a standard working week of 36.5 hours for all employees

Notes to the financial statements

for the year ended 31 March 2021

7. Trustee remuneration and related party transactions

Expenses of £37 (2020: £110) were reimbursed to one member of the Board of Trustees (2020: One) to cover travel and other related costs incurred by them in the fulfilment of their duties.

During the year the charity had the following intra-group transactions with companies controlled by Progress Housing Group Limited, the ultimate parent company

| | | | 2021 | 2020 |
|---|----------------------------|----------------------------------|--------|--------|
| Purpose | Payment to | Payment from | £ | £ |
| Critical tenancy support | Key Unlocking Futures | Progress Housing Association Ltd | 80,536 | 46,915 |
| Community investment | Key Unlocking Futures | Progress Housing Association Ltd | 27,996 | 27,741 |
| Employment coaching and support for PHA tenants | Key Unlocking Futures | Progress Housing Group Ltd | - | 9,735 |
| Corporate services received | Progress Housing Group Ltd | Key Unlocking Futures | 22,374 | 22,000 |

At the end of the year £7,534 was owed by Progress Housing Group Limited to Key Unlocking Futures Limited (2020: £3,007 owing to Progress Housing Group).

8. Taxation

As a charity, Key Unlocking Futures Limited is exempt from tax on income and gains falling within sections 466 to 493 of the Corporation Tax Act 2010 or s256 of the Taxation of Charitable Gains Act 1992 to the extent that these are applied to its charitable objectives.

9. Debtors

| | 2021 | 2020 |
|--------------------------------------|--------|--------|
| Amounts falling due within one year: | £ | £ |
| Prepayments and accrued income | - | 515 |
| Amounts owed by group companies | 7,534 | - |
| Trade Debtors | 8,400 | 78,232 |
| | 15,934 | 78,747 |

Amounts due from group companies are repayable on demand and do not attract interest.

10. Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---------------------------------|--------|--------|
| | £ | £ |
| Amounts owed to group companies | - | 3,007 |
| Accruals and deferred income | 44,933 | 64,393 |
| Employer Liabilities | 11,833 | 10,298 |
| Other creditors | 68 | 758 |
| | 56,834 | 78,456 |

Standard payment terms are 30 days from date of invoice.

Included in the accruals and deferred income is £36,222 unrestricted and £7,523 restricted income (2020: £30,476 and £32,619)

Other intragroup balances are repayable on demand and do not attract interest.

Notes to the financial statements

for the year ended 31 March 2021

| 11. Movement in funds | 1 April 2020 | Increase in funds in the year | Transfers between funds | 31 March 2021 |
|---------------------------------------|-----------------|-------------------------------------|-------------------------------|------------------|
| | £ | £ | £ | £ |
| Restricted Reserves | (2,424) | 2,544 | - | 120 |
| Unrestricted Reserves - Designated | 388,793 | - | 183,711 | 572,504 |
| Unrestricted Reserves - General Funds | - | 183,711 | (183,711) | - |
| Total Funds | 386,369 | 186,255 | - | 575,472 |

| | | | | |
|---------------------------------------|-----------------|-------------------------------------|---|------------------|
| | 1 April 2019 | Increase in funds in the year | Transfers between Funds Restated | 31 March 2020 |
| | £ | £ | £ | £ |
| Restricted Reserves | (1,802) | (1,342) | - | (2,424) |
| Unrestricted Reserves - Designated | 307,091 | - | 81,702 | 388,793 |
| Unrestricted Reserves - General Funds | - | 81,702 | (81,702) | - |
| Total Funds | 306,009 | 80,360 | - | 386,369 |

There have been no transfers from these reserves for any purpose other than those for which the reserve was created. Surplus transferred to designated reserves agreed is in line with the reserves policy for holding three to six months running costs.

12. Cash flow

The accounts have been restated to incorporate the impact of a misclassification of £33,207 income between Restricted and Unrestricted in 2020, and also an immaterial adjustment of £1,082 between Restricted and Unrestricted funds in 2020. This change has resulted in the restatement of the following:

| Balance Sheet | As previously reported | Adjustment | As restated |
|----------------------------|------------------------|------------|----------------|
| The funds of the charity: | | | |
| Restricted Funds | 31,865 | (34,289) | (2,424) |
| Unrestricted Funds | 354,504 | 34,289 | 388,793 |
| Total Charity Funds | 386,369 | - | 386,369 |

13. Cash flow

Under FRS102 the Trustees have decided not to publish a cash flow as a cash flow statement is produced for the Group consolidated accounts.

14. Ultimate Parent company

Progress Housing Group Limited is the ultimate parent company of Key Unlocking Futures Limited. Progress Housing Group Limited IP28685R consolidated financial statements can be obtained from the Group's website or from the Company Secretary at the registered office:

Sumner House
21 King Street
Leyland
Lancashire
PR25 2LW



w: www.keyyouthcharity.org.uk
e: help@keyyouthcharity.org.uk
01772 678979

2 Balfour Court, Leyland,
Lancashire PR25 2TF



Key Unlocking Futures Limited
is a subsidiary of Progress Housing Group Limited.
Key Unlocking Futures is registered as a Company Limited by
Guarantee No. 8699413 and a Registered Charity No. 1154772

VAT registration number 712 6635 46.

Registered office for the Group and all subsidiaries:
Sumner House, 21 King Street, Leyland, Lancashire, PR25 2LW



REPORT TO THE AUDIT COMMITTEE

PROGRESS HOUSING GROUP LIMITED

AUDIT COMPLETION: YEAR ENDED 31 MARCH 2021

IDEAS | PEOPLE | TRUST





CONTENTS

| | | |
|----|---|----|
| 1 | Introduction | 3 |
| | Welcome | 3 |
| 2 | Executive summary | 4 |
| | Overview | 4 |
| 3 | Executive Summary | 5 |
| | Scope and materiality | 5 |
| 4 | Audit risks | 6 |
| | Risk Overview | 6 |
| 5 | Audit risks | 7 |
| | Risk 1: The preparation of the accounts on a going concern basis is not appropriate | 7 |
| | Risk 2: Revenue Recognition | 8 |
| | Risk 3: Management override of controls or bias in accounting estimates and judgements leads to material misstatement | 9 |
| | Key judgements | 10 |
| | Significant Estimates | 11 |
| 6 | Accounting practices | 12 |
| | Financial Reporting | 12 |
| 7 | Additional considerations | 13 |
| | Matters requiring additional consideration | 13 |
| 8 | Control environment | 14 |
| | Control environment: Significant deficiencies | 14 |
| 9 | Independence | 15 |
| | Independence | 15 |
| 10 | Appendices contents | 16 |

WELCOME

| |
|---------------------------|
| Contents |
| Introduction |
| Welcome |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Accounting practices |
| Additional considerations |
| Control environment |
| Independence |
| Appendices contents |

We have pleasure in presenting our Audit Completion Report to the Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit Committee. At the completion stage of the audit it is essential that we engage with the Audit Committee on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We discussed these matters with you at the Audit Committee meeting on 12th July 2021 and welcomed your input.

This report contains matters which should properly be considered by the Board as a whole. We expect that the Audit Committee will refer such matters to the Board, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the Management and staff of the Group for the co-operation and assistance provided during the audit.

Hamid Ghafoor
29 July 2021



Hamid Ghafoor
Partner

m: 07816 227021
e: hamid.ghafoor@bdo.co.uk



Usmaan Ashraf
Senior Manager

m: 07870 513581
e: usmaan.ashraf@bdo.co.uk

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

| |
|---------------------------|
| Contents |
| Introduction |
| Executive summary |
| Overview |
| Executive Summary |
| Audit risks |
| Audit risks |
| Accounting practices |
| Additional considerations |
| Control environment |
| Independence |
| Appendices contents |

This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements for the Group for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is complete and we will issue an unmodified audit opinion on the group and subsidiary financial statements for the year ended 31 March 2021 in line with the agreed timetable.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.



Financial reporting

- We have not identified any non-compliance with group accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going Concern disclosures / Viability Statement require further discussion. See [page 7](#).
- Following our review of the financial statements there remain no unadjusted disclosure omissions and/or improvements

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Our draft Letter of Representation is set out on [pages 23 and 24](#) in the appendices.
- There were no adjusted or unadjusted audit differences identified by our audit work.

Independence and fees

We confirm that the firm and its partners and staff involved in the audit remain independent of the Company and Group in accordance with the FRC's Ethical Standard. Further detail is included on [page 15](#)

Fees summary

| | £ |
|--------------------------|---------------|
| Audit fees | 42,200 |
| Non-audit services: | |
| Loan covenant reporting | 3,300 |
| Total non audit services | 3,300 |
| Total fees | 45,500 |

SCOPE AND MATERIALITY

Executive summary

| |
|---------------------------|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Scope and materiality |
| Audit risks |
| Audit risks |
| Accounting practices |
| Additional considerations |
| Control environment |
| Independence |
| Appendices contents |

Audit scope

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws and appropriate standards.

There were no significant changes to audit scope and coverage from our prior year audit.

Materiality

Materiality for the Group was set at 9% of adjusted operating surplus*. This is a change from the prior year and full details were provided in the body of the planning report.

* The operating surplus figure is adjusted in line with your toughest loan covenant definition, so depreciation and impairment are added back and capitalised component spend and grant amortisation are deducted. This is applied to the financial statement areas used in calculating the interest cover covenant, so items forming operating surplus and net interest payable.

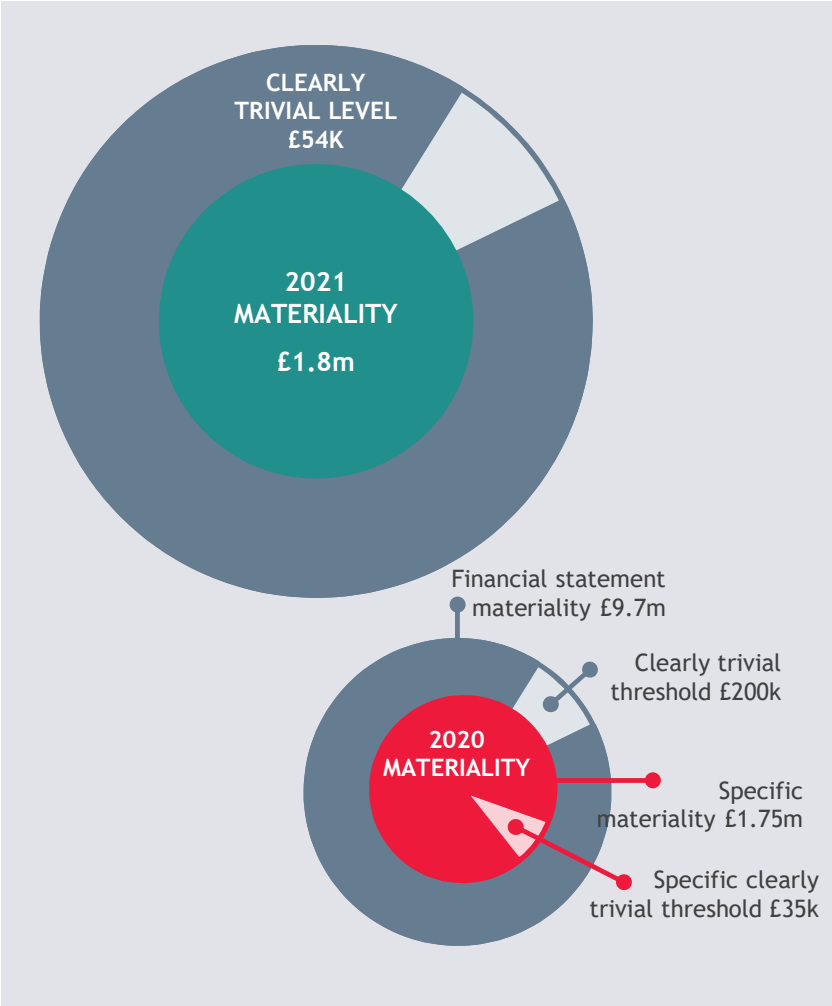
Although materiality is the judgement of the audit partner, the Audit Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.

We obtained our audit evidence through substantive testing

As part of our risk assessment procedures we documented the systems and controls in place insofar as they are relevant to the preparation of the financial statements.

We planned our audit using different testing methodologies depending on the area being audited. Our testing can either be substantive, where we directly verify items in the profit and loss account and balance sheet, or assurance is obtained based on systems and controls testing.

We obtained our audit assurance for the year ended 31 March 2021 through substantive testing across all financial statement areas, with the exception of the areas of pension assets and rental income, where we obtained assurance through both controls and substantive testing. This is consistent with the approach undertaken for the prior year audit.



RISK OVERVIEW

Executive Summary

As identified in our audit planning report dated 22 January 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements of the group and each subsidiary company.

| Significant Audit Risk | Significant Management Judgement Involved | Use of Experts Required | Error Identified | Control Findings to be reported in Management letter | Specific Letter of Representation Point |
|--|---|-------------------------|------------------|--|---|
| Risk 1 - Going concern - The preparation of the accounts on a going concern basis is not appropriate | Yes | No | No | No | Yes |
| Risk 2 - Revenue recognition - Fraud risk due to improper revenue recognition | No | No | No | No | No |
| Risk 3 - Management override - Management override of controls or bias in accounting estimates and judgements leads to material misstatement | Yes | Yes | No | No | Yes |

Fraud in revenue recognition

Under International Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” there is an assumption that revenue recognition is a fraud risk. We are therefore required to target it as part of our planned audit response unless we can rebut that risk. As communicated in our planning report, we rebutted the risk for rental income; whilst there is an element of manual intervention and variation in the increases/decreases applied to rents we consider that the risk of material misstatement through fraud and error in this area remains low. Other income streams, mainly comprising property sales, contract income and other income, are included in Risk 2 above.

| |
|---|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Risk 1: The preparation of the accounts on a going concern basis is not appropriate |
| Risk 2: Revenue Recognition |
| Risk 3: Management override of controls or bias in accounting estimates and judgements leads to material misstatement |
| Key judgements |
| Significant Estimates |
| Accounting practices |
| Additional considerations |
| Control environment |
| Independence |
| Appendices contents |

RISK 1: THE PREPARATION OF THE ACCOUNTS ON A GOING CONCERN BASIS IS NOT APPROPRIATE

In an uncertain environment where business continuity plans have been activated, forecasting future cash flows with any degree of certainty is challenging.

| |
|---|
| Significant management judgement |
| Use of experts |
| Unadjusted error |
| Adjusted error |
| Additional disclosure required |
| Significant Control Findings to be reported in Mgmnt letter |
| Letter of Representation point |

Risk description

In an uncertain economic environment, where the full impact of C19 and Brexit remains unknown, forecasting future cash flows with any degree of certainty will be challenging.

The wider impact is expected to stretch the group’s financial resources. This includes:

- Rising rental arrears
- Reduced property development
- Potential impairment charges
- Changes to timing of cash outflows as development slow to manage social distancing on sites and a reduced repairs service is introduced.

Management have made an assessment of going concern as part of the business plan. A number of sensitivities have also been performed, alongside adverse scenario and stress testing.

Results

We have reviewed the following:

- Actual performance in FY21 against the prior period assessment/budget.
- The suitability of assumptions applied by Management when producing revised forecasts for FY22 and longer term budgets.
- Commitments and future development intentions
- Availability of loan finance, amount of available security to underpin future loan facilities, ability to repay loans when they fall due, and on-going and forward covenant compliance
- Stress testing of adverse variations in revenue and additional unexpected costs

- The appropriateness of sensitivities prepared by Management and the probability that events trigger a loan default, covenant breach or loss of funds.
- The performance of property sales pre and post year end
- For Concert Living we obtained confirmation that funding had been secured for the foreseeable future following the Board’s review of the entity’s business plan and viability
- For Key Unlocking Futures we reviewed management’s assessment of the position on significant on-going contracts alongside management’s budgeted contract income for 2021/22

We have reviewed the disclosures made in the basis of preparation section of the financial statements and in the narrative reports.

Discussion and conclusion

We are satisfied that there is no material uncertainty in relation to going concern, and, based on the information presented by management, concur with management’s continued application of the going concern basis in the preparation of the financial statements, and upon review of the draft financial statements concur that suitable disclosures have been made thereon.

We updated our review of management’s assessment following receipt of a final post balance sheet events update prior to sign off - no further issues were identified.

RISK 2: REVENUE RECOGNITION

Contents

Introduction

Executive summary

Executive Summary

Audit risks

Audit risks

Risk 1: The preparation of the accounts on a going concern basis is not appropriate

Risk 2: Revenue Recognition

Risk 3: Management override of controls or bias in accounting estimates and judgements leads to material misstatement

Key judgements

Significant Estimates

Accounting practices

Additional considerations

Control environment

Independence

Appendices contents

Under International Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” there is an assumption that revenue recognition is a fraud risk.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmt letter

Letter of Representation point

Risk description

Income from contracts should be recognised in line with the terms of the contract and is therefore subject to management judgement; we therefore consider this a significant risk for certain group entities. The main area of focus from a group perspective will be the Lifeline service line which has again increased in scale in the year.

In addition Key revenue is based on specific charitable projects and should be recognised in line with the specified criteria (e.g. based on certain milestones).

PHG entity income comprises intergroup management activities. Income is based on intergroup service level agreements and materially eliminates on consolidation.

Results

Lifeline income recognised throughout the year was tested through a fully substantive approach. A sample of invoices in the year have been agreed to source documentation and reviewed in line with the terms & conditions of the contract. Sales have been reviewed in line with the accounting period to ensure correct cut off procedures have been applied.

We reviewed a sample of grants received in the year by Key Unlocking Futures, along with the terms & conditions applicable to each grant, ensuring recognition has been applied on an appropriate basis. Alongside the review of each grant, a sample of invoices were tested and agreed through to cash received in confirming the existence of such balances.

For Concert Living, we agreed the sale of a sample of properties at the Edwards Gardens site to completion statements and traced the receipt to bank. We performed cut off testing to confirm income was recorded in the correct period.

We reviewed the intergroup management income and that it had been recognized in line with the underlying agreements. We also ensured that it had been properly recorded in the charging and paying entities, before being correctly eliminated on consolidation.

Discussion and conclusion

No issues noted from testing performed.

RISK 3: MANAGEMENT OVERRIDE OF CONTROLS OR BIAS IN ACCOUNTING ESTIMATES AND JUDGEMENTS LEADS TO MATERIAL MISSTATEMENT

| |
|---|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Risk 1: The preparation of the accounts on a going concern basis is not appropriate |
| Risk 2: Revenue Recognition |
| Risk 3: Management override of controls or bias in accounting estimates and judgements leads to material misstatement |
| Key judgements |
| Significant Estimates |
| Accounting practices |
| Additional considerations |
| Control environment |
| Independence |
| Appendices contents |

ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.

| |
|---|
| Significant management judgement |
| Use of experts |
| Unadjusted error |
| Adjusted error |
| Additional disclosure required |
| Significant Control Findings to be reported in Mgmnt letter |
| Letter of Representation point |

Risk description

Under International Standards on Auditing (UK) 240, there is a presumed significant risk of management override of the system of internal controls.

The primary responsibility for the detection of fraud rests with Management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

Details

Our understanding is that the most likely areas where management override could take place are the posting of journals and in the judgements and accounting estimates within the financial statements.

Results

We obtained a complete list of journals and, using information gathered during the audit and our understanding of the entity we target tested those journals and adjustments that we considered may be inappropriate or unusual. We did this using our data analytics tool, Advantage.

We also reviewed material journals and transactions outside what is considered the normal course of business.

We reviewed significant accounting estimates and judgements to ensure they were appropriate and not indicative of management bias; findings in relation to judgements are set out on page 10, and estimates on page 11.

We confirmed suitable disclosure has been made in relation to key estimates and significant judgements in the draft financial statements.

No issues were identified as a result of our work.

Discussion and conclusion

Testing was completed satisfactorily.

KEY JUDGEMENTS

| Judgement | Overview | Discussion |
|---|---|--|
| Impairment Indicators - housing properties | <p>Management's assessment that there were some impairment indicators on Housing Properties, Fixed Assets, Investment Properties and Properties for Sale</p> <p>Management have recognised an impairment of £122K in the year</p> | The audit team reviewed management's assessment and further considered this in light of C-19 and have concluded that management's assessment is appropriate given the facts available to them. |
| Classification of Housing Loans | Financial instruments are either classified as basic, and carried at amortised cost, or non-basic, requiring measurement at fair value and therefore introducing volatility to the income statement. | PHG assess that all their loans are basic and our testing concluded that this is appropriate. |



Contents

Introduction

Executive summary

Executive Summary

Audit risks

Audit risks

Risk 1: The preparation of the accounts on a going concern basis is not appropriate

Risk 2: Revenue Recognition

Risk 3: Management override of controls or bias in accounting estimates and judgements leads to material misstatement

Key judgements

Significant Estimates

Accounting practices

Additional considerations

Control environment

Independence

Appendices contents

SIGNIFICANT ESTIMATES

| Estimate | Overview | Discussion |
|--|--|--|
| Useful Economic Lives - capitalised components | We have benchmarked the UEL of PHG's housing property against BDO's portfolio of housing clients. The UELs used by the group are consistent with others in the sector. | The rates of depreciation adopted by management are materially in line with those adopted within the sector, therefore on balance we consider that the UELs used are appropriate. The treatment for all components is consistent with that applied in the previous financial year. |
| Arrears provision | Management's provision is based on the type of tenure, the age of the balance and whether the debt is due from a current or former tenant, and ranges from 70 - 100% where a provision is considered necessary. | Our review of management's provision involved benchmarking against other RPs in BDO's portfolio - we noted the group's policy was not inconsistent with that of its peers. We also recalculated the provision included in the accounts, and found it to be calculated in line with management's stated policy. In addition we reviewed the level of voids in the year, cash collection post year end and the ageing of the debtors ledger and concluded the provision for bad debts was materially complete. |
| Lilac SWAP | By virtue of its one third undertaking in the LiLAC joint venture the group is party to a derivative financial instrument in the form of a swap, as that JV is the fixed interest rate payer of free-standing interest rate swap, which is 'out of the money' at the latest reporting date. | Management determine their share of the liability by reference to the latest audited financial statements of LiLAC. Our valuations team reviewed the fair value calculations provided by management and confirmed they are a fair estimate, within materiality, of the financial instrument at the reporting date. |
| Pension deficit | <p>The group and PHA are party to defined benefit pension scheme obligations in the form of the SHPS and LGPS (via LCC). Significant estimates arise as a result of the group's participation in these schemes and there is a high degree of estimation uncertainty, which management control through the appointment of a third party expert actuary, Mercer. These assumptions are ultimately the responsibility of the Board but we understand they are set based upon advice given by an actuary.</p> <p>In the management representation letter we request that you confirm to us that the valuation of the pension liability is calculated with reference to market levels and the most relevant demographic and financial assumptions at 31 March 2021.</p> | <p>We have reviewed a range of the minimum, maximum and most common key actuarial assumptions that we have seen from a sample of valuations chosen from a cross-section of our client base and the position of Progress Housing Group within the ranges.</p> <p>The assumptions feeding through into the LGPS (LCC) and SHPS assumptions are based on market conditions and therefore should not have significant variations across entities with similar year ends (subject to changes in scheme durations and scheme specific variations). This information has been used to identify possible instances in which a chosen assumption may deviate significantly from what might be appropriate for your organisation. No such instances were noted, with the key assumptions falling within acceptable ranges.</p> <p>Our review identified that asset returns in the report provided by Mercer for the LGPS were based on 10 months actual data, with the last 2 months of the year based on estimate. We requested management obtain updated reports based on 12 months actuals. These reports were subsequently obtained and the difference between the results was noted as trivial.</p> |
| Investment properties | The group holds 10 investment properties, which are held at fair value. In order to determine the fair value at 31 March 2021, management appointed Garside Waddingham (commercial assets) and Parkinson Real Estate (residential assets). | We referred the external valuations to our specialist valuation team who reviewed the reports by the respective valuers and considered the methodology applied and inputs used in arriving at the valuations to be reasonable. We confirmed the valuers employed by management were independent of the group and suitably qualified as RICS registered chartered surveyors. |

Contents

Introduction

Executive summary

Executive Summary

Audit risks

Audit risks

Risk 1: The preparation of the accounts on a going concern basis is not appropriate

Risk 2: Revenue Recognition

Risk 3: Management override of controls or bias in accounting estimates and judgements leads to material misstatement

Key judgements

Significant Estimates

Accounting practices

Additional considerations

Control environment

Independence

Appendices contents

FINANCIAL REPORTING

| |
|---------------------------|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Accounting practices |
| Financial Reporting |
| Additional considerations |
| Control environment |
| Independence |
| Appendices contents |

Financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice Accounting by registered social housing providers (Housing SORP 2018) and the Accounting Direction for private registered providers of social housing from April 2019.

During a review of the financial statements no issues or comments were noted on review of the accounting policies adopted. We have not identified any non-compliance with group accounting policies or applicable accounting framework.

We are required to bring to your attention other financial reporting matters that the Board is required to consider.

Following our review of the financial statements, we noted an error in the consolidated cash flow statement of £703k, relating to the incorrect inclusion of the movement on deferred tax as a movement in debtors, with the corresponding error in the movement in creditors. This amount was not considered material and hence not corrected.

There remain no other unadjusted disclosure matters to bring to your attention.



| |
|--|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Accounting practices |
| Additional considerations |
| Matters requiring additional consideration |
| Control environment |
| Independence |
| Appendices contents |

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We sought confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan - no matters were brought to our attention.

Laws and regulations

The most significant considerations for your business are 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, the Accounting Direction for Private Registered Providers of Social Housing 2019, Companies Act 2006, Corporate and VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We made enquiries of management and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Group’s internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.



CONTROL ENVIRONMENT: SIGNIFICANT DEFICIENCIES

| |
|---|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Accounting practices |
| Additional considerations |
| Control environment |
| Control environment: Significant deficiencies |
| Independence |
| Appendices contents |

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit Committee.

As the purpose of the audit is for us to express an opinion on the Group’s financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have noted no significant deficiencies during the course of the audit.



| |
|---------------------------|
| Contents |
| Introduction |
| Executive summary |
| Executive Summary |
| Audit risks |
| Audit risks |
| Accounting practices |
| Additional considerations |
| Control environment |
| Independence |
| Independence |
| Appendices contents |

INDEPENDENCE

Under ISAs (UK) and the FRC’s Ethical Standard we are required to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence and discuss with you any independence issues including threats to our independence and the safeguards applied to mitigate them.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the table opposite, together with details of other threats and safeguards applied. We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Group’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Association and the Group.

We have provided services other than audit to the Group as set out below. We do not consider there to be any other threats that may be considered to bear on our objectivity and independence. Our overall assessment is that the safeguards described below are appropriate and effective.

| | Fees | Threats | Safeguards |
|--------------------|-------|---|-------------------------|
| Non-audit services | | | |
| Loan Covenant | 3,300 | The threat to auditor independence from Audit Related Services is clearly insignificant. (E55:54) | No safeguards required. |

APPENDICES CONTENTS

| |
|-------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

| | | |
|---|---|----|
| A | Component audits | 17 |
| | Subsidiaries and joint ventures within scope of our audit | 17 |
| B | Ethical standard | 18 |
| | FRC Ethical Standard | 18 |
| C | Our responsibilities | 19 |
| | Our responsibilities | 19 |
| D | Communication with you | 20 |
| | Communication with you | 20 |
| E | Outstanding matters | 21 |
| | Outstanding matters | 21 |
| F | Audit Report | 22 |
| | Audit report overview | 22 |
| G | Letter of representation | 23 |
| | Representation letter | 23 |
| H | Looking Forwards | 25 |

| | | |
|---|--|----|
| | Looking Forwards | 25 |
| I | Residential Property Developer Tax | 26 |
| | Residential Property Developer Tax | 26 |
| J | BEIS consultation | 28 |
| | Restoring trust in audit and corporate governance | 28 |
| | BEIS consultation at a glance | 29 |
| | BEIS consultation continued | 30 |
| K | Regulatory developments | 31 |
| | Emissions and energy consumption annual report disclosures | 31 |
| | FRC Guidance - climate related reporting | 32 |
| | FRC Guidance - sources and uses of cash | 33 |
| | FRC Guidance - Workforce-related corporate reporting | 34 |
| | Developments in FRS 102 | 35 |
| | Charity financial and regulatory | 36 |

| |
|-------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

SUBSIDIARIES AND JOINT VENTURES WITHIN SCOPE OF OUR AUDIT

The entities audited by the same team as the Group are set out in the table below together with their significant audit risks and other matters we need to communicate, by reference to their entity level materiality thresholds. Significant audit risks for the below entities are the same as those identified relevant to Progress Housing Group and the consolidated financial statements, as set out on page 6. The findings for those risks are set out on pages 7- 11.

| Entity | Other significant matters discussed | Audit differences Identified | Control deficiencies identified | Specific Letter of Representation Point | Work complete at time of drafting |
|------------------------------|-------------------------------------|------------------------------|---------------------------------|---|-----------------------------------|
| Progress Housing Association | No | No | No | No | Yes |
| Key Unlocking Futures | No | No | No | No | Yes |
| Concert Living | No | No | No | No | Yes |

In addition to the above, the group is party to a one third share of Leeds Independent Accommodation Company Holdings Limited (LiLAC), a joint venture contracted through a PFI arrangement. We have reviewed the investment balance in the accounts of PHA for any indicator of impairment by reference to the latest audited financial statements available for this entity - no issues were noted. In addition, the swap financial instrument has been reviewed as part of our work on estimates, as covered on page 11.

FRC ETHICAL STANDARD

Issued in December 2019

| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

| Key headlines | Impact |
|--|---|
| The objective, reasonable & informed third party test | Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles. |
| Extra-territorial impact | For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon. |
| Contingent fees | Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities. |
| Secondments | All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities. |
| Recruitment and remuneration services | Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity. |
| Non-audit services to a public interest entity (PIE) | Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap. |
| Other entities of public interest ('OEPI') | <p>OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which:</p> <ul style="list-style-type: none">– Have more than 2000 employees; and / or– Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. <p>The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.</p> |

| |
|--------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and Association financial statements. We report our opinion on the financial statements to the members.

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

For statutory other information we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that management’s use of the going concern basis of account is appropriate
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

COMMUNICATION WITH YOU

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Board of Directors as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

In communicating with TCWG of the parent and the group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, meetings and feedback

All communications required with you are covered in our planning and completion reports.

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Additional matters we are required to report

| | Issue | Comments |
|---------------|--|---|
| 1 | Significant difficulties encountered during the audit. | No exceptions to note |
| 2 | Written representations which we seek. | We enclose a copy of our representation letter. |
| 3 | Any fraud or suspected fraud issues. | No exceptions to note |
| 4 | Any suspected non-compliance with laws or regulations. | No exceptions to note |
| 5 | Significant matters in connection with related parties. | No exceptions to note |
| Group matters | | |
| 6 | Limitations on the audit where information was restricted. | No exceptions to note |
| 7 | Any fraud or suspected fraud at group or component level. | No exceptions to note |

OUTSTANDING MATTERS

We have completed our audit work in respect of the financial statements for the year ended 31 March 2021 - there are no outstanding matters.

| |
|-------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |



| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

AUDIT REPORT OVERVIEW

Opinion on financial statements

We will issue an unmodified opinion on the financial statements.

There are no matters disclosed in the financial statements that we wish to draw attention to by way of ‘emphasis of matter’.

Going concern

Our report states our conclusion that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate

Irregularities, including fraud

Our report contains an explanation to the extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

We have identified no material misstatements in the statutory other information accompanying the financial statements.

Other information

We have reviewed the other information accompanying the financial statements in the Group’s annual report. We have not identified any material misstatements that would need to be referred to in our report.



| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

REPRESENTATION LETTER

Dear Sirs

Financial Statements of Progress Housing Group Limited and Progress Housing Association Limited for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the consolidated and parent association's financial statements (together the "financial statements") for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other directors and officials of the association and other group companies as appropriate.

We have fulfilled our responsibilities as directors for the preparation and presentation of the consolidated and parent financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the group and association as at 31 March 2021 and of the results of its operations and cash flows for the year then ended in accordance with applicable financial reporting framework and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the group and association have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all meetings of management and non-executives have been made available to you.

Going concern

We have made an assessment of the group's and the association's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the group and association's are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment, we considered the financial impact of Covid-19 on our cash flow forecasts and forward loan covenant compliance, performing stress testing of these plans. We have appropriately disclosed the inherent uncertainty in our operating environment and its impact on our going concern assessment in our financial statements and narrative reports.

Having performed our assessment we were able to conclude that the group and association are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the group's and the association's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

We confirm that we have informed you of any actual or potential non-compliance with the laws and regulations prescribed by the Financial Services and Markets Act 2000 and Financial Services Act 2012 and any known breaches of the Financial Conduct Authority rules.

Any complaints received in respect of regulated business and any events, which involve possible non-compliance with the Financial Conduct Authority rules have been disclosed to you and appropriately provided for and disclosed in the financial statements, where applicable.

All communication with the Financial Conduct Authority including correspondence, minutes of meetings and notes of inspection visits have been made available to you.

We acknowledge our responsibility for ensuring that the accounting records and systems of control have been established and maintained in accordance with the Financial Conduct Authority rules. We confirm that the entity did not hold or administer client money or custody assets at any time during the year. We confirm that the company has kept proper accounting records for the year.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

REPRESENTATION LETTER

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the annual report.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

There were no loans, transactions or arrangements between the group, the association and its directors and their connected persons at any time in the year which were required to be disclosed.

Taxation

We are not aware of any non-compliance relating to the group or the association's tax affairs that might result in a material.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated and parent financial statements.

Accounting estimates

None of the association's current asset properties for sale or work in progress balances are stated in the balance sheet at 31 March 2021 at an amount exceeding their recoverable amount, and investment properties are stated at their fair value at that date.

We confirm that none of the group or association's assets are stated in the balance sheet at 31 March 2021 at an amount exceeding their recoverable amount as defined in FRS102 Section 27 - Impairment of assets.

All housing properties are in existence and beneficially owned by the group. Title deeds are held by mortgagees, local authorities or solicitors as security for specific charges against the properties, in respect of housing loans outstanding at the balance sheet date, where appropriate.

We confirm that the bad debt provision of 70%-100% of former tenants and 70% of current tenants is appropriate based on receipts during the current year.

We confirm that cash flow forecasts used in our assessment of going concern are based on our best estimate of committed development costs, loan drawings and related interest charges and overheads adjusted for inflation.

We confirm that the valuation of the pension liability is calculated with reference to market levels and the most relevant demographic and financial assumptions at 31 March 2021.

We have disclosed all known actual or possible cross guarantees between entities in the group and association with third parties and in particular any such guarantees between regulated and non-regulated entities.

Litigation and claims

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

(Signed on behalf of the board of directors)

Date:

Contents

Appendices contents

Component audits

Ethical standard

Our responsibilities

Communication with you

Outstanding matters

Audit Report

Letter of representation

Representation letter

Looking Forwards

Residential Property Developer Tax

BEIS consultation

Regulatory developments

LOOKING FORWARDS

| |
|-------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |



RESIDENTIAL PROPERTY DEVELOPER TAX

HM Treasury consultation issued April 2021

| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

On 29 April 2021, HM Treasury released a consultation on a new Residential Property Developer Tax (RPDT) to apply from April 2022. The policy objective is to require residential property developers to pay additional tax to fund the cost of remediating cladding issues, which have/will be borne by the Government.

The new tax does not target only developers who have had cladding issues or who are developing high rise buildings (although a levy has been introduced to target such developments) - it currently has a much wider scope and would affect many future residential developments.

Whilst the consultation document is silent on several key characteristics of RPDT, most notably the rate of tax, it does set out the Government’s thinking and a clear framework for this new tax.

Application

RPDT is set to apply to the annual profits of UK residential development activities from April 2022. Whilst it is described as ‘time-limited’, there is no guidance yet as to how long the RPDT will be levied for.

It is the Government’s intention that only the “largest” residential property developers will be brought within the charge to RPDT and that it would cover profits from UK properties earned by both UK and non-UK resident companies. Specifically, the tax is to be levied where a group’s profits from UK residential property development activities exceed £25m per year (this £25m allowance cannot be carried forward to future periods). The definition of group has not yet been decided.

There are two proposed methods under discussion for entities to calculate their liability to RPDT: tax all profits of an entity that directly undertakes or contributes to UK residential property development activities (unless they are “insignificant”) or tax just the relevant UK residential property development profits of a group.

Interestingly, the Government proposes that no interest or funding costs will be deductible in calculating profits liable to RPDT: this appears to apply to third party bank interest as well as intra-group borrowing. The key

implication of this is that the £25m limit will, in practical terms, be far less generous and many more groups will have to pay RPDT.

This will expand the scope of RPDT beyond what many in the industry would normally consider to be the “largest” developers given the higher financing costs that many medium and smaller residential developers face. Further, in scenarios where a property/properties have been retained for a number of years, and as a result the financing cost has reduced the accounting profits, the rate of RPDT will become disproportionality high.

The consultation says that losses generated prior to the introduction of RPDT must be excluded from the calculation of UK development profits, but it does leave open the possibility of recognising brought forward losses generated after the introduction of tax. While allowing losses generated after April 2022 to be carried forward for RPDT purposes would be fair, the Government recognises that this would bring additional complexity - particularly if the rules are aligned to the existing corporation loss restriction rules. Group relief from activities outside of the scope of the tax would not be available to reduce the profits subject to RPDT.

UK residential development activities

RPDT targets the profits of UK residential development activities and has a broad scope, covering the development of ‘dwellings’ for both build to sell and build to rent. The definitions of a ‘dwelling’ are broadly in line with those found in other taxes, such as the annual taxation of enveloped dwellings (ATED) and stamp duty land tax (SDLT). However, whilst there are specific caveats as to what constitutes a ‘dwelling’ under ATED and SDLT legislation, it has not been yet decided that the same caveats will apply to the RPDT.

The consultation document includes a number of carve outs and potential carve outs from the definition of ‘dwellings’, these include the common carve outs for ‘communal dwellings’ such as hotels, supported housing providing care/support for vulnerable groups, accommodation for members of the armed forces prisons etc.

RESIDENTIAL PROPERTY DEVELOPER TAX

HM Treasury consultation issued April 2021

Contents

Appendices contents

Component audits

Ethical standard

Our responsibilities

Communication with you

Outstanding matters

Audit Report

Letter of representation

Looking Forwards

Residential Property Developer Tax

Residential Property Developer Tax

BEIS consultation

Regulatory developments

In setting out these carve outs, the Government also provided some direction on its thinking in several key areas:

- **Build-to-rent** - Importantly, build-to-rent also appears to be within the charge - with a suggestion that profits from this activity for RPDT purposes will be determined based on a notional market value calculation upon initial rental of a completed property. If introduced in this way, this will therefore introduce a 'dry tax charge, for build-to-rent developers. Therefore, this would be a tax that spans not only conventional "development activities" and companies that hold stock on their balance sheet but also entities that hold property as fixed asset investments.
- **Student accommodation** - Consideration is being given to the extent to which student accommodation falls within the scope of RPDT and it is possible that some or all student accommodation being developed will fall within the charge. The consultation document suggests that the final rules are likely to draw a distinction between the more 'traditional' halls style accommodation and more 'modern' flats (self-contained or cluster) with the former more likely to be exempt from RPDT.
- **Affordable housing** - Profits from the development of affordable housing would fall within the scope of RPDT: the Government does not view this as contrary to its goal to increase the availability of affordable housing. The Consultation notes that such development is typically either undertaken at cost due to s106 planning obligations or by charitable or otherwise tax exempt organisations (with there being no intention to disturb the existing tax exemptions for charitable activities). However, the Government does recognise that affordable housing is also developed on a for profit basis and welcomes views on the implications of taxing profits from such activity.
- **Care homes and assisted living** - While the development of residential and supported housing is specifically carved out, the consultation leaves open the option to charge RPDT on the development of retirement housing that is not reliant on care provision. This will create new complexity for businesses developing retirement communities where a varying level of care is provided to residents.

Joint ventures

Joint venture enterprises will be liable to the RPDT if they have 'relatively significant economic interest' (not yet defined) in a vehicle liable to the RPDT. They will be taxed on a two tier approach covering Profits or the JV structure as if it were a standalone group and, separately, the profits of each JV member's ownership of the JV as part of the member's group's RPDT profits: RPDT tax credits will be given to prevent double taxation.

Payment dates

It is currently proposed that the payment dates would be aligned with corporation tax payment deadlines, including the recently introduced 'super-QIPs' regime that requires all corporation tax payments to be paid before the end of the year. This will inevitably compound issues for developers with 'lumpy' (one off/irregular profits) and will increase the requirement of greater scale developers to monitor their profits closely throughout the year.

Conclusions

The RPDT is in the early stages of development but is being introduced in relatively short-order. It is difficult to reach firm conclusions on its full implications until the rate of tax is confirmed and the results of the consultation are published (expected to be later this year). However, one theme is already clear, by introducing a tax on specific profits that are different from normal profits liable to corporation tax the Government is creating considerable additional complexity and costs for the UK residential property sector.

BDO will be responding to the consultation (which ends on 22 July 2021) - you can read the full consultation document at <https://www.gov.uk/government/consultations/residential-property-developer-tax-consultation>

RESTORING TRUST IN AUDIT AND CORPORATE GOVERNANCE

BEIS consultation issued March 2021

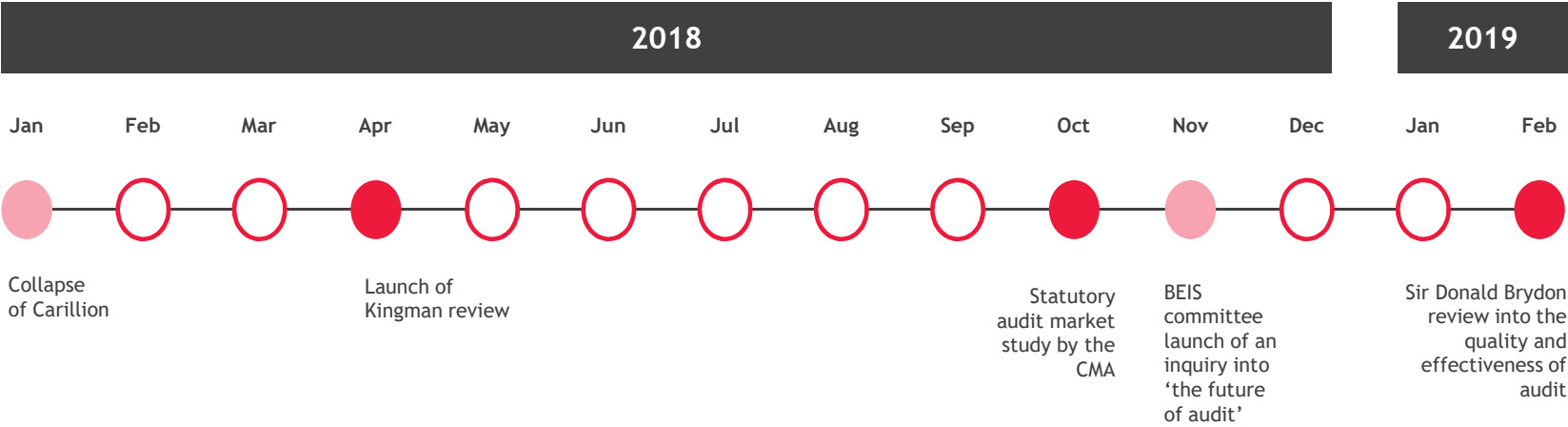
| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

The collapse of Carillion at the beginning of 2018 precipitated a root and branch review of how the audit market works with three main components, all reporting to the Secretary of State for Business Energy and Industrial Strategy. The latest BEIS consultation as published in March 21 outlines proposals to increase choice and quality in the audit market, establish clearer responsibilities for the detection and prevention of fraud, and ensure the audit product and audit profession are fit for the future. The consultation aims to present measures that balance the need for meaningful reform with proportionate impacts on business, both now and for the future. The next pages aim to summarise the key areas of the consultation but for more information please refer to the [consultation](#) directly.

Although the consultation is only due to close in July 2021 that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. At BDO we support the aims of operational separation of audit practices. Without being complacent we do not have a large consulting practice like some of our rivals and we have always run our audit business to be independently and sustainably profitable, therefore the main causes of concern that this seeks to address namely cultural contamination and cross subsidisation are less relevant for us. We do however recognise that the profession needs to restore the confidence of users and operational separation or ring fencing is an important step on that journey. We have drawn up plans for how we would implement this and are currently consulting with stakeholders. Whilst full compliance is not required until 2024 we are likely to implement a number of aspects particularly around governance and financial transparency by July 2021.

Whilst there is some uncertainty regarding the timeline post the close of the consultation it is our understanding that the implementation of the Audit, Reporting and Governance Authority (ARGA) is likely to be in 2023.

HISTORIC CONSULTATIONS TIMELINE



BEIS CONSULTATION AT A GLANCE

Issued March 21

| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| BEIS consultation at a glance |
| BEIS consultation continued |
| Regulatory developments |

| Key Area of the BEIS consultation | Summary |
|---|--|
| 1. Resetting the scope of regulation by expanding the definition of Public Interest Entities to include large private companies and “large” AIM quoted companies. | <p>The government proposes two possible tests to extend the scope of PIEs:</p> <p>To adopt the test used to identify companies already required to include a corporate governance statement in their directors’ report, or adopt a narrower test which incorporates the threshold for additional non-financial reporting requirements for existing PIEs. This would cover companies with both: Over 500 employees and a turnover of more than £500 million as their consolidated position.</p> <p>The Government is also proposing that any new definition of PIE should also include companies on the exchange-regulated AIM market with market capitalisations above €200m.</p> |
| 2. Increasing the accountability of directors | <p>The consultation sets out a couple of options relating to directors accountability for internal controls and then indicates a tentative preferred option which would require a directors’ statement about the effectiveness of the internal controls. Unlike the US’s approach to internal controls which mandates external auditor attestation in most cases this option would leave the decision on whether the statement should be assured by an external auditor to the directors, audit committee and shareholders.</p> <p>This section of the consultation also includes proposals to require companies to report on their distributable reserves and for directors to be required to make a formal statement about the legality and affordability of proposed dividends.</p> |
| 3. New corporate reporting requirements | <p>Introducing a requirement for PIEs to produce an annual Resilience Statement. This new statement consolidates and builds upon the existing going concern and viability statements and would apply initially to Premium Listed companies.</p> <p>Introducing an Audit and Assurance Policy where directors have to describe their approach to seeking assurance. For publicly quoted entities, this would be subject to an advisory shareholder vote at the time of its publication,</p> |
| 4. Strengthening the supervision of corporate reporting | <p>Giving the Audit, Reporting and Governance Authority (ARGA) (which replaces the Financial Reporting Council) more power to direct changes to company reports and accounts.</p> <p>Creating increased transparency for the Corporate Reporting Review (CRR) process and an extension of the CRR process to the whole of the annual report and accounts.</p> <p>The Government proposes to broaden the regulator’s review powers so that it can scrutinise the entire contents of a company’s Annual Report and Accounts.</p> |

BEIS CONSULTATION CONTINUED

| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| BEIS consultation at a glance |
| BEIS consultation continued |
| Regulatory developments |

| Key Area of the BEIS consultation | Summary |
|---|---|
| 5. Provisions concerning company directors | <p>Giving the regulator investigation and enforcement powers in relation to wrongdoing by all directors of Public Interest Entities. Due to the principles of collective responsibility and a unitary board, all directors of Public Interest Entities would be in scope.</p> <p>Strengthening malus and clawback provisions within executive director remuneration.</p> |
| 6. Changes to audit purpose and scope | <p>The Government will seek to introduce a regulatory framework to cover both audits of financial statements (statutory audit) and other types of information which companies decide to have audited through the Audit and Assurance Policy process. It also proposes to legislate to require directors of Public Interest Entities to report on the steps they have taken to prevent and detect material fraud.</p> |
| 7. Changes to audit committee oversight and engagement with shareholders | <p>ARGA to establish a standards and supervision regime. ARGA will write the standards by which Audit Committees will need to operate and they will monitor compliance against these standards. Initially this will only apply to FTSE 350 Audit Committees.</p> <p>Additional requirements for audit committees in the appointment and oversight of auditors, which is intended to ensure the committee acts effectively as an independent body responsible for safeguarding the interests of shareholders.</p> <p>Increased engagement between a company and its shareholders. The Government agrees with Brydon's recommendation that the audit committee's annual report should set out which shareholder suggestions put forward for consideration had been accepted or rejected by the auditor.</p> |
| 8. Improved competition, choice and resilience in the audit market | <p>The implementation of a managed shared audit regime for companies audited by the Big Four.</p> <p>The operational separation of certain accountancy firms.</p> <p>Statutory powers for the regulator to monitor the resilience of the audit market.</p> |
| 9. Greater supervision of audit quality | <p>Making the regulator responsible for approving the auditors of PIEs and improving the transparency of Audit Quality Review reports by allowing AQR reports on individual audits to be published without consent.</p> |
| 10. A new and strengthened regulator; the Audit, Reporting and Governance Authority | <p>The regulator will be given the power to make rules requiring market participants to pay a levy to meet the regulator's costs of carrying out its regulatory functions.</p> |
| 11. Additional changes to the regulator's responsibilities | <p>The regulator will have the power to require an expert review where it has identified significant concern regarding a PIEs corporate reporting and auditing.</p> |

| |
|------------------------------------|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |

EMISSIONS AND ENERGY CONSUMPTION ANNUAL REPORT DISCLOSURES

Summary:

- ▶ Enhanced **quoted company** requirements, and new requirements for **unquoted companies** and **LLPs** that exceed certain size and energy usage thresholds
- ▶ Disclosure to be in **Directors' Report**, or for LLPs in a separate '**energy and carbon**' report
- ▶ In consolidated accounts, the information is on a consolidated basis, but only needs consolidated information from subsidiaries that are also within the scope
- ▶ **Subsidiaries are exempt** if included in consolidated accounts of a parent that provides these disclosures.

Effective date: 1 April 2019

The final Statutory Instrument introducing the changes (SI 2018/1155) is available on [legislation.gov.uk](https://www.legislation.gov.uk). In addition, the Department for Environment, Food and Rural Affairs (DEFRA) has issued Environmental Reporting Guidelines to assist companies preparing for the new requirements.

Unquoted companies or LLPs:

Large companies or **LLPs** that **consume > 40,000 kWh of energy annually** must:

- ▶ Disclose annual quantity of energy in kWhs consumed in the UK
- ▶ Describe calculation methods used, and any energy efficient improvement measures undertaken
- ▶ Present at least one ratio expressing annual emissions in relation to a quantifiable factor associated with company's activities
- ▶ Comparatives must be presented after the first year of application
- ▶ Companies consuming <40,000 kWh of energy annually need only state that fact.

Quoted companies

New requirements are **in addition to existing Greenhouse Gas emissions disclosures**:

- ▶ Quantitative and narrative disclosures on energy consumption and energy efficiency measures
- ▶ New rules are similar to those for unquoted companies BUT calculations are based on global emissions and energy consumption, rather than being limited to the UK and its offshore areas

FRC GUIDANCE - CLIMATE RELATED REPORTING

| |
|--|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |
| FRC Guidance - climate related reporting |
| FRC Guidance - sources and uses of cash |
| FRC Guidance - Workforce-related corporate reporting |
| Developments in FRS 102 |
| Charity financial and regulatory |
| Charity financial and regulatory |

FRC Lab report on climate-related corporate reporting

- ▶ The FRC's Financial Reporting Lab has published a Lab Report on Climate-related Corporate Reporting, which provides useful and practical information on an area of increasing importance to investors, politicians and the wider community.
- ▶ The Lab Report sets out how companies can fill the gap between investor expectations and current corporate reporting practice and notes that investors would like companies to articulate:
 - how boards consider and assess the topic of climate change
 - whether, and how, the business model may be affected by climate change, whether it remains sustainable, and how the company may respond to the challenge posed by climate change
 - what the opportunities and risks are, including the prioritisation of risks and their likelihood and impact
 - what changes the company might need to make to strategy to capitalise on a changing climate and related opportunities
 - what scenarios might affect the company's sustainability and viability, and how
 - how the impact is measured and how the company measures the climate-related challenges and the success of its strategy through strategically aligned, reliable, transparent metrics and financially-relevant information.
- ▶ The Lab Report also highlights that the UK Government announced, in its July 2019 Green Finance Strategy, the **expectation** that **listed companies** and **large asset owners** should **disclose** in line with the **Task Force on Climate-related Financial Disclosures' ('TCFD') Framework** recommendations **by 2022**.
- ▶ On the basis that such disclosures may well become **mandatory** (either by being brought into law or through market forces) in the short- to medium-term, companies are recommended to start looking at them and considering whether their reporting can be evolved over time, rather than to risk being left behind as practice develops.
- ▶ It is worth noting that most companies, to a greater or lesser extent depending on their size and listing status, are **already required** to provide related environmental disclosures under the Companies Act 2006's strategic report and directors' report requirements and the UK Corporate Governance Code 2018. The TCFD Framework might provide a practical method of tying these requirements together.

www.frc.org.uk

Investors>Financial Reporting Lab>Climate-related corporate reporting - Where to next?

FRC GUIDANCE - SOURCES AND USES OF CASH

| |
|--|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |
| FRC Guidance - climate related reporting |
| FRC Guidance - sources and uses of cash |
| FRC Guidance - Workforce-related corporate reporting |
| Developments in FRS 102 |
| Charity financial and regulatory |
| Charity financial and regulatory |

FRC Lab report on disclosures on the sources and uses of cash

- ▶ The FRC's Financial Reporting Lab has published a Lab Report about disclosures on the sources and uses of cash. Highly practical, it explains what information investors are seeking in this area and features many examples of good practice.
- ▶ The Lab Report suggests that disclosures on how cash will be generated and used in the future are often provided outside of the cash flow statement and may be outside of the annual report completely. However, these disclosures are often the most helpful to investors who seeking to understand an entity's broader cash position and, consequently, the Lab Report focuses on this supplemental cash flow disclosure.
- ▶ In broad terms, the Lab Report identifies a need for a clear description of the drivers of current (and future) performance and position, in the context of cash, supported by appropriate metrics and goes on to explain that, for many companies, greater attention is placed on a number of performance-focused metrics (such as profit or adjusted profit) with cash metrics featuring more as a supporting or supplementary metric.
- ▶ Furthermore, the Lab Report highlights that cash metrics and cash generation are often not fully explained but that the most effective disclosures are those where numbers and narrative are combined in a way that shows how future cash generation is underpinned by current cash generation.
- ▶ In addition to making clear what information investors are seeking in this area, the Lab Report highlights 23 separate examples of good practice. It also features an appendix that deals with **reverse financing** (sometimes known as **supplier financing**), a topic on which the FRC has been focussing in recent months following the collapse of Carillion, which includes some illustrative examples of the nature of disclosures that would be of benefit to investors.

www.frc.org.uk

Investors>Financial Reporting Lab>Disclosures on sources & uses of cash - FRC Financial Reporting Lab report

FRC GUIDANCE - WORKFORCE-RELATED CORPORATE REPORTING

| |
|--|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |
| FRC Guidance - climate related reporting |
| FRC Guidance - sources and uses of cash |
| FRC Guidance - Workforce-related corporate reporting |
| Developments in FRS 102 |
| Charity financial and regulatory |
| Charity financial and regulatory |

FRC Lab report on Workforce-related corporate reporting

- ▶ One of the areas that has become an increasing area of focus over the last few years is in relation to reporting on workforce-related issues. This increase in focus is in response to the new strategic report and directors' report requirements, and the FRC's Corporate Governance Code 2018, along with general societal expectations.
- ▶ To help companies identify good reporting in relation to these matters, the FRC's Financial Reporting Lab has published a report of their findings from their [workforce-related corporate reporting project](#) along with a [summary document](#), which build on their previous reports on [business models](#), [risk and viability reporting](#) and [performance metrics](#).
- ▶ The report sets out how companies can make their reporting more effective and comprehensive by providing a set of questions that they should ask to help develop their reporting supported by a set of recommended disclosures, and by highlighting some examples of current practice. This is intended to help companies close the gap between investor expectations and what companies are disclosing although it notes that as expectations grow, ongoing development will be necessary.

www.frc.org.uk

Investors>Financial Reporting Lab>Workforce Report 2020 (a)

DEVELOPMENTS IN FRS 102

New Standards, Amendments or Interpretations applicable to future periods

| |
|--|
| Contents |
| Appendices contents |
| Component audits |
| Ethical standard |
| Our responsibilities |
| Communication with you |
| Outstanding matters |
| Audit Report |
| Letter of representation |
| Looking Forwards |
| Residential Property Developer Tax |
| BEIS consultation |
| Regulatory developments |
| FRC Guidance - climate related reporting |
| FRC Guidance - sources and uses of cash |
| FRC Guidance - Workforce-related corporate reporting |
| Developments in FRS 102 |
| Charity financial and regulatory |
| Charity financial and regulatory |

| Development | Summary |
|--|---|
| <p>Amendments to FRS 102 - Interest benchmark reform</p> <p>(December 2019)</p> | <p>Relevant to entities that apply hedge accounting</p> <ul style="list-style-type: none"> These amendments to specific hedge accounting requirements provide relief that will avoid unnecessary discontinuation of hedge accounting as interest rate benchmarks are being reformed. Entities will apply specific hedge accounting requirements assuming that the interest rate benchmark relevant to the hedge accounting is not altered as a result of interest rate benchmark reform. <p>Principal effective date: 1 January 2020, with early application permitted.</p> |
| <p>Amendments to FRS 102 and FRS 105 - COVID-19-related rent concessions</p> <p>(October 2020)</p> | <p>Relevant to all entities that have been granted temporary rent concessions for operating leases as a direct consequence of the COVID-19 pandemic</p> <ul style="list-style-type: none"> Sets explicit requirements for accounting for temporary rent concessions for operating leases occurring as a direct consequence of the COVID-19 pandemic, and within a limited timeframe. They shall be recognised over the period the concession is intended to compensate, reflecting the economic substance of the concessions and their temporary nature. <p>Principal effective date: 1 January 2020, with early application permitted.</p> |
| <p>Draft amendments to FRS 102 - Interest rate benchmark reform (Phase 2)</p> <p>(June 2020)</p> | <p>Relevant to all entities (including entities that apply hedge accounting)</p> <ul style="list-style-type: none"> As interest rate benchmark reform takes place, this proposes amendments to provide relief to minimise discontinuities in the accounting for financial instruments and leases, minimise reporting costs, assist entities in providing useful information to users of financial statements and avoid unnecessary discontinuation of hedge accounting as agreements are modified in order to transition to alternative benchmark rates. <p>Principal effective date: 1 January 2021, with early application permitted.</p> |

CHARITY FINANCIAL AND REGULATORY

Revised Practice Note (PN14) for the audit of housing associations in the United Kingdom

PN 14 provides sector specific guidance on applying the FRC's auditing standards to audits of Housing Associations. As well as a general refresh, key revisions include updating of the material relating to devolved regulatory regimes, and the key business risks affecting housing associations,

Charities Bill 2021

The Charities Bill 2021 includes several changes that will affect any charity. Many of the proposals are technical, and relate to the Charity Commission's functions, or will be of specific interest to a limited class of charities. However the more wide ranging recommendations for charities, include:

- allowing trustees to be paid for goods, as well as services, in certain situations
- simplifying the process on ex gratia payments
- giving charities more flexibility to obtain tailored advice when they sell land, and removing unnecessary administrative burdens
- increased flexibility to use permanent endowment, with checks in place to ensure its protection in the long term
- removing legal barriers to charities merging, when a merger is in their best interests
- giving trustees advance assurance that litigation costs in the Charity Tribunal can be paid from the charity's funds

A draft bill will be introduced when parliamentary time allows.

Reporting Pensions

The Charity Commission has reviewed 100 charities with pension deficits of over £550m. Although most were handling the issue appropriately, most charities did not report the matter in enough detail in their annual reports. 58% of them did not explain the impact of the pension deficit on their financial position and only a quarter included it as a risk or explained clearly what they were doing about it

Scottish Charity Law and Public Survey

The Scottish Government has started the process of consultation and discussion as a precursor to changing charity law. OSCR will set out a summary of proposed changes to enhance transparency and accountability in Scottish charities and to increase regulatory powers for OSCR.

The Scottish Charity Regulator (OSCR) has also published the results from its Scottish Charity and Public Surveys 2020. These include:

- The importance of a charity's cause was the most common reason for choosing to support a charity (56% of those who donate), followed by trustworthiness (44% of those who donate).
- 58% of the public said knowing how much of a donation goes to the cause, and 55% said seeing evidence of what the charity has achieved, would make them feel a charity was trustworthy.
- OSCR reminds charities that they, and not OSCR, are responsible for ensuring the public have access to annual reports and accounts, and for being transparent and accountable.

Contents

Appendices contents

Component audits

Ethical standard

Our responsibilities

Communication with you

Outstanding matters

Audit Report

Letter of representation

Looking Forwards

Residential Property Developer Tax

BEIS consultation

Regulatory developments

FRC Guidance - climate related reporting

FRC Guidance - sources and uses of cash

FRC Guidance - Workforce-related corporate reporting

Developments in FRS 102

Charity financial and regulatory

Charity financial and regulatory

CHARITY FINANCIAL AND REGULATORY

Charity Governance

The Charity Governance Code was refreshed in December 2020: changes were modest and focussed on the integrity principle, and a widening of the diversity principle. The relevant diagnostic tools have also been updated and can be used by trustees to reassess their application of the code. In two reports published in March and June into major charities, the Charity Commission highlighted some key themes of general application:

- Poor workplace culture which let down complainants, staff and the wider public
- Handling of the complaints so poor that it amounted to mismanagement
- Failure to consistently follow own processes when staff members made allegations of inappropriate conduct
- Dealing with complaints informally, rather than to investigate them fully
- The whole trustee body not being made aware of important issues as early as it should be
- Over-dependence on committees without rigorous oversight
- Trustees' failure to understand and manage safeguarding risks or make this a key governance priority

Responsible and Social Investments

The Charity Commission has issued draft guidance making clear that trustees of all charities can decide whether or not to adopt a responsible investment approach that reflects the charity's purposes and values, and not just focus on the financial return. The new draft explains that the rules applying to responsible investments are those that apply to all financial investments, including that trustees' decisions must always be made in the best interests of the charity, and in line with its governing document. Meanwhile Social Investment Tax Relief will continue to be available for debt and equity investments into qualifying entities or funds until April 2023.

Social Value Procurement

The government is operating a new model to deliver social value through its' commercial activities, effective 1 January 2021. Social value should be explicitly evaluated, rather than just 'considered' as previously required. Procurement teams will select objectives in line with government priorities that are relevant and proportionate to their procurement.

Remuneration practices

There continues to be interest in the levels of pay for higher paid staff in charities, both from the media and the regulators. The FRC has commented on reporting remuneration practices in the FTSE 350, and some of its comments could equally apply to charities. The FRC comment on the trend to disclose more information on remuneration, that most companies link rewards to long term performance, but that there is still a lack of detail on the principles relating to remuneration setting.

Contents

Appendices contents

Component audits

Ethical standard

Our responsibilities

Communication with you

Outstanding matters

Audit Report

Letter of representation

Looking Forwards

Residential Property Developer Tax

BEIS consultation

Regulatory developments

FRC Guidance - climate related reporting

FRC Guidance - sources and uses of cash

FRC Guidance - Workforce-related corporate reporting

Developments in FRS 102

Charity financial and regulatory

Charity financial and regulatory



FOR MORE INFORMATION:

Hamid Ghafoor

m: 07816 227021

e: hamid.ghafoor@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© July 2021 BDO LLP. All rights reserved.

www.bdo.co.uk

