



Hyelm

(Consolidated Accounts)

(Limited by Guarantee)

**Report and Financial Statements for the Year Ended
30 September 2018**

Hyelm is a company limited by guarantee, registration No. 00244598, and is registered with Homes England No. HO312. Hyelm is charitable and is registered with the Charity Commission No. 215575.

Hyelm

Report and Financial Statements for the year ended 30 September 2018

Report of the Board

Report of the Board

The Board is pleased to present its report and financial statements based on a limited company format and in accordance with accounting requirements by legislation and as set out in the Statement of Recommended Practice 'Accounting by Registered Social Landlords' ('SORP' – Update 2014).

Review of the Period

The Board reports a deficit of £222,279 for the year to 30 September 2018 (2017: deficit £78,225). The underlying operating surplus of £221,471 (2017: surplus £129,992) is in line with the business plan and reflects both the reduction in income following the closure of Arthur West House in October 2014 and the increase in income arising from commercial lettings, whilst retaining management costs focussed on the provision of new accommodation as part of our development programme. The deficit is a result of abortive costs amounting to £231,681 relating to development schemes that are not being taken forward.

During the year high levels of occupancy and operational income were maintained.

The Old Street development, which was completed in March 2008, was financed from our cash-backed reserves, capital grant of £3m from the Homes and Communities Agency and a loan of £6.736m from Allied Irish Bank (AIB). The interest rate on this loan has been fixed for a 30-year term at a rate of 5.5%. Occupancy levels remain high and the scheme continues to perform in accordance with the financial plan agreed as part of the facility agreement with AIB.

Legal Status

The Hyelm Group comprises Hyelm, a Company Limited by Guarantee and which does not have share capital, The Ames House Trust, a charity established under Trust Deed, and Arthur West House Limited, a private limited company which is a wholly owned subsidiary of Hyelm.

Hyelm is a non-profit making concern registered as a Charity and a Registered Provider under the Housing Acts. The Ames House Trust is accounted for as a branch of Hyelm.

The consolidated accounts show the financial position of The Group as a whole, and for the Association which includes Hyelm and The Ames House Trust.

Principal Activity and Public Benefit

Hyelm provides high standards of affordable accommodation, services and facilities in homely environments for London's key workers, now referred to as priority groups, and for young people on low to moderate incomes who are coming to or are in the capital to work or to study.

The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Hyelm's aims and objectives and in formulating plans.

Format of Financial Statements

The Board is pleased to present its report and financial statements based on a limited company format and in accordance with accounting requirements by legislation and as set out in the Statement of Recommended Practice 'Accounting by Registered Social Landlords' ('SORP' – Update 2014).

Future Plans

During the year ending 30 September 2015, the Board adopted a strategic plan – *Changing lives for the better* – for the period 2016-2019. The strategic plan focuses on three key activities:

- Our existing operation,
- Our development programme,
- Our communities and people.

Our Development programme – The Group's objective is to develop and provide high standards of affordable, rented accommodation, facilities and services for a further 250 young people in two or more new housing schemes in London. During the year we acquired a development site in North London. The cost has been partly funded by the Ames House Trust. A planning application is due to be submitted for accommodation for 154 young people. It is anticipated that the new accommodation will be completed in July 2021.

Our Existing operation – The Group's objective is to continue to provide high standards of contemporary, affordable rented accommodation at the Old Street Scheme, whilst remaining a financially sound organisation with efficient systems providing effective controls. During the year we have carried out refurbishments in a number of apartments to ensure that the accommodation remains of a high standard. To maximise the value that we can obtain from the Old Street property, and in accordance with the objectives of the Strategic Plan we have gained planning permission to convert space within the building to provide office accommodation to rent. The conversion is complete and the rental income generated will be utilised to further invest in the Old Street accommodation. We have also invested in new IT systems to improve the efficiency and effectiveness of our management processes.

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Our communities and people – The Group's objective is to provide positive, stable, safe environments for our housing schemes. During the year we have been working with our residents to involve them in drawing up our plans for the future and in managing our affairs. We have also worked with local community groups, training providers and employers to provide opportunities for our residents to grow through personal training and development. A number of social events have been organised to further develop a sense of community, and have supported residents in securing new accommodation when they feel ready to move on.

Board

Following a review of Governance arrangements during the course of the year the Board adopted and now complies with the recommendations of the National Housing Federations Code of Governance 2015 with the exception that the Board has decided not to establish a separate audit committee. It is felt that given the size of the organisation, audit issues can be dealt with by the Board. The Board has also adopted, and is compliant with, the National Housing Federation Code of Conduct issued in 2012. Hyelm is a member of the Federation.

Hyelm has implemented a comprehensive Board and Board members appraisal process and a governance development plan which is reviewed and updated annually.

Charlotte Paxton was appointed as Chair of the Board on 17 July 2018 following the resignation of Rebecca Begej on the 28 April 2018. Ruth Goldfeather was appointed as Vice Chair of the Board on 17 July 2018.

Rhiannon Meredith was appointed as a member of the Board on the 18 July 2018.

In accordance with the Articles of Association, the following Board members are required to stand down at the Annual General Meeting, but will remain eligible for re-appointment to the Board:

- Graham Briscoe
- Rhiannon Meredith

VALUE FOR MONEY STATEMENT 2018

Introduction

The Value for Money Standard 2018

The 2018 VFM Standard published in April 2018 requires that Registered Providers must:

- Clearly articulate their strategic objectives.
- Have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders.
- Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.
- Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

The Standard requires that that Registered Providers must demonstrate:

- A robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.
- Regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.
- Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.
- That they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

It is also a requirement that Registered Providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- Performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers.
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

The Hyelm Group is committed to finding ways to provide excellent services whilst at the same time seeking to reduce costs and improve efficiency. To ensure that we can measure efficiency gains and to provide meaningful comparisons with other organisations providing similar service, the Board has adopted the 2018 Value for Money Standard for Registered Providers of Social Housing.

The 2018 Standard was published in April 2018, part way through the financial year, and although the Board have adopted the new Standard, full compliance will not be achieved until financial year 2018/19, although the Board is able to report against the new metrics defined within the Standard.

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How We Deliver VFM

Although the Hyelm Group does not provide social housing – the Old Street scheme provides a mix of accommodation for intermediate rent and private rented accommodation for young people on low incomes – the VFM standard provides a framework for measuring performance in a consistent manner.

Achieving Value for Money (VFM) is a fundamental element of our objective to become a top quartile performing organisation.

We see VFM as the process of delivering savings and improving quality by simplifying everything that we do and by achieving a balance between costs, quality and results.

This statement outlines our approach to achieving VFM in meeting our objectives with reference to our financial, social and environmental returns, and measures performance using the metrics included within the 2018 Value for Money Standard.

VFM is embedded within our business in the following ways:

Governance

Board members' duties include reviewing the efficiency of our operations and our VFM performance as well as ensuring compliance with the regulatory VFM standard.

The Board discusses our VFM Policy and Statement at least annually and reviews the operational and financial performance of the business quarterly.

Financial Management

We operate a robust budgeting process that sets out the financial parameters within which our organisation is required to work to deliver improvements in the services that we provide to our residents and others who work with us.

The business planning process helps to ensure that our resources and assets are used in the most appropriate ways to deliver our objectives.

Our budget and business plan targets are structured to ensure that the most effective use of our resources is made through efficiency gains year on year with increasing levels of surplus strengthening our capacity to develop new homes and enhance our services.

Procurement

We continuously seek to obtain VFM from our suppliers and look to rationalise contracts and re-tender when necessary to ensure that the services that we receive from them meet and deliver our business objectives.

Where appropriate, we undertake an options appraisal process to ensure that there is a robust business case for investment/divestment decisions and that returns are optimised.

Managing Performance

We continually review our performance and benchmark ourselves against our peer groups. A key objective of our 2016-2019 Strategic Plan is to achieve top quartile performance for financial strength and quality of services. The Board reviews performance information on a regular basis.

We have set ourselves the challenge of benchmarking our performance against that of our organisations that provides similar services within the social housing sector.

Comparative analysis is based on information provided by HouseMark, the BM320 benchmarking group of smaller housing associations in London, the HCA (such as the 2017 Global Accounts of Housing Providers) and other publicly available information.

Resident Focus

Improving resident engagement and obtaining regular feedback in relation to our services are key objectives for the life of our Strategic Plan 2016-2019.

Following the sale of Arthur West House in 2014 the Resident Panel had become less engaged. During 2017/18 we have worked with residents at our Old Street scheme to ensure that they are engaged with the management of the scheme.

Our People

Our staff are critical to the organisation for the delivery of services to our residents. Providing training and support to our staff is essential to ensure that we maximise their capability.

During 2015/16 we reviewed the staffing complement needed to deliver our 2016-2019 Strategic Plan. Salary and benefits packages are reviewed annually.

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During 2016/17 we reviewed our HR contracts, handbooks and policies to ensure that they remain in line with best practice.

Our Strategic Plan

The Strategic Plan for 2016-2019 focuses on three key activities:

1. Our development programme:

Funded by the sale proceeds of our Hampstead property and additional borrowing, we will further develop and expand our provision to help meet increasing demand and changing needs.

More specifically, we will

- Develop and provide high standards of affordable rented accommodation, facilities and services for a further 250 young people in two or more new housing schemes in great London locations.
- Establish with our local authority planners the scope to provide additional affordable accommodation for rent at our Old Street scheme through change of existing office/commercial use and/or through extension to the property and develop further accommodation, as appropriate.

2. Our existing operation:

Throughout the delivery of our development programme we will continue to manage our existing operation in an efficient and effective manner.

More specifically we will

- continue to provide high standards of contemporary affordable rented accommodation facilities and services at our Old Street scheme that reflect the needs and expectations of those whom we set out to house.
- Continue to be a financially sound organisation with efficient systems providing effective controls that reflect our requirements. Maximising value will continue to underpin our work.
- Maximise in particular, the value that we get from our office and communal spaces at our Old Street Scheme
- Secure suitable funding to support our strategic objectives
- Offer a great place to work, attracting and retaining the most talented staff and Board members.

3. Our communities and people:

- We will promote positive stable safe environments in each of our housing schemes, ensuring that the sense of place and family and the supportive communities that we promote which are so fundamental to what we do, are kept as we move from old to new.
- More specifically we will:
 - Involve our residents closely in drawing up our plans for the future and managing our affairs
 - Work with local community groups, training providers and employers to provide opportunities to enable young people to grow through further personal training and development
 - Develop strong and productive partnerships with a range of key strategic partners to ensure that we help those who are in greatest need.
 - Deliver a programme of social and learning events and community development activities, making best use of our communal facilities as well as those within the local areas in which we operate, engaging our residents with the wider community.
 - Work with each young person during their stay to help them move on when they are ready.
 - Actively encourage our residents to contribute to our communities and our organisation in a positive way once they have left our accommodation.

During the year we have made substantial progress in achieving the objectives set out in our Strategic plan.

Progress against the objectives within the Strategic Plan

Our development programme.

With regard to our **development programme**, we adopted a strategy in 2013/14 to dispose of one of our existing properties, Arthur West House, with a view of using its capital receipt to develop and manage a further 250 bed-spaces of modern accommodation within Greater London by 2019. The provision of new accommodation is a key objective of the 2016-2019 strategy adopted by the Board.

The property sold on the 10th October 2014 and generated a receipt of £30.05 million, some £6 million above the maximum forecast sale price. The sale proceeds were apportioned between Hyelm and The Ames House Trust, which had a leasehold interest in Arthur West House. The amount received by Hyelm amounted to £24,115,125, with the balance of £5,934,875 being received by The Ames House Trust.

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As we develop our plans for the development programme, a key focus will be ensuring that we deliver a value for money solution and maximise the return on our investment. Whilst the Board recognises that the provision of low cost but affordable accommodation will not generate a 'market return', a number of financial targets have been agreed, which must be achieved before any scheme proceeds ensuring that the scheme is profitable, and the value of the investment is maintained.

In September 2018, we purchased a development site in north London for the provision of 154 bed spaces – good progress towards our target of 250 bed spaces. The development will be funded with Hyelm's cash resources, and the sale of a number of affordable homes for rent or for shared ownerships to another Registered Provider.

We have agreed a fixed price contract for the delivery of the scheme with Arthur West House Limited, a wholly owned subsidiary, which will minimise the risk of overspend and facilitate the recovery of VAT on professional fees amounting to approximately £270,000.

By making use of an existing procurement framework we have been able to procure professional services without a lengthy and expensive EU procurement exercise.

Our ongoing operations

Our Old Street scheme is now ten years old. Resident satisfaction levels continue to remain high. In addition, it was built to comply with, the then, Eco Homes standards and achieved a Very Good rating in this regard.

Our forward plans for our Old Street scheme include provision for the regular maintenance and refurbishment of the property to ensure that it continues to provide high standards of affordable accommodation that meet the expectation of our residents. We have also achieved our objective of providing additional office accommodation for rent at our Old Street site generating additional income for future investment in our services.

To ensure that we achieve best value for money from the goods and services that we procure, Standing Orders are in place that require competitive quotations to be sought for low value goods, and for formal tendering procedures to be enacted for more valuable services.

During the year to 30 September 2018 the following goods and services were tendered:

- Gas and electricity supplies.
- IT support
- Mechanical & Electrical Servicing

Where possible, we make use of procurement exercises that have been undertaken by other organisations to ensure that best value has been obtained.

Old Street provides accommodation for young people at the beginning of their careers ensuring that they are accommodated in low cost, quality accommodation in a secure environment. Of the units available 74 bed-spaces provide intermediate rent accommodation for priority group workers, with rent at a significant discount to comparable accommodation in London. The remaining 51 bed-spaces are provided for non-priority group workers – with rent levels again at a discount.

With Board approval we have invested resources to improve the efficiency of our **Ongoing Operations** and to generate additional income to support our charitable objectives. During the year, our IT strategy will result in savings of £10,500 per annum.

Over the last three years we have been examining ways of maximising the 'return' from this asset whilst maintaining rents at levels that are affordable for our client groups. The focus of this has been in relation to our communal spaces, which were underutilised.

As a result of the review, accommodation within the management suite was rented to a third party for a period of four years from June 2017. Planning permission has been sought and obtained to create further office space on the ground floor of the Old Street property, which will be rented on a commercial basis thereby generating additional income for investment in our properties and the services we provide to our residents. The conversion of our unused communal space to office accommodation has also enabled us to provide a more friendly and relaxing space for our residents.

The capital investment in our Old Street scheme, converting unused communal space to office accommodation will result in additional income of approximately £125,000 per annum. The efficient management of staff and improved systems has enabled us to manage the commercial space with no additional staff requirements.

The completion of the new office accommodation has enabled us to move the Finance Team back to our Old Street scheme, thereby reducing the cost being incurred on alternative office accommodation.

Further savings have been made through the retendering of several contracts, for example a saving of £300 per year has been made through the retendering of the lift maintenance contract. The supply of electricity and gas is retendered annually to ensure best value is obtained, and during 2017/18 we changed our water supplier resulting in year on year savings of £30,000. These savings are passed on to our residents in through lower service charges.

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Our communities and people

As part of our strategy in relation to **Our communities and people** the revisions to our staffing structure and job profiles has enabled us to take on the management of our new office accommodation at no extra cost.

In addition, though our close association with Charity Works, a charity providing job opportunities for graduates seeking work place experience, we have recruited two graduate trainees to whom we provide an approved training programme. Annual savings of £2,500 have been made through the revised staffing structure.

The Hyelm Group endeavours to provide rented accommodation to tenants which provides value for money when compared with rent charged for comparable properties. To ensure that the rent is deemed value for money, the Board has approved a policy of linking all rents to the level deemed affordable for single people in receipt of the London Living Wage.

The Low Cost but Affordable rent is based on the first quartile of rents for accommodation, which for single people includes room, shared rooms, bedsits and maisonettes. Rent for non-priority groups is at this level, which is 32% less than equivalent private rented accommodation at the first quartile for the N1 postcode. The intermediate rent for accommodation at Old Street is currently at a discount of 40% to the first quartile. The Board policy will result in all new lets being at the LCA rent, which will result in additional rent income being generated yet maintaining rents at an affordable level.

A key objective of our Strategic Plan 2016-2019 is to ensure we house those people from within our client group in greatest need. To enable us to do this we continue, with appropriate support, to move-on those residents who are no longer in need of our accommodation. Satisfaction levels had suffered as a result but are now starting to improve. It remains our target is to maintain or improve upon current levels of satisfaction, but always to keep our performance within the upper quartile. The table below shows resident satisfaction with the services provided during the financial year 2017/18 and the preceding two years.

Resident Satisfaction	Benchmark: Peer group upper quartile	Benchmark: HouseMark upper quartile	Hyelm 2015/16	Hyelm 2016/17	Hyelm 2017/18
% of residents satisfied or very satisfied with our services	94%	89%	90%	90%	93%
% of residents satisfied or very satisfied with repairs and maintenance	87%	84%	90%	90%	95%
% of residents satisfied or very satisfied on VFM for rent	88%	85%	76%	93%	90%

Evidence of resident satisfaction, together with the effective management of the property is demonstrated in the table below. Occupancy remains high and arrears are managed proactively with residents to ensure minimal losses occur. Demand for the accommodation offered remains high with short re-let times.

Other Measures	Benchmark: Peer group upper quartile	Benchmark: HouseMark upper quartile	Hyelm 2015/16	Hyelm 2016/17	Hyelm 2017/18
% of repairs fixed on first visit	98.5%	96.0%	98.2%	100%	95%
Average re-let time (days)	13	19	6	5.78	5.42
Current rent arrears	0.72%	1.62%	0.45%	0.00%	0.19%
% of void losses	0.20%	0.55%	0.82%	0.60%	1.18%

We have taken comfort from historically low levels of void loss and arrears, which compare very favourably with those within the sector. The increase in voids during 2017/18 was planned in order to enable planned maintenance works to be carried out. Our future investment in our properties will ensure that demand for our accommodation is such that our void levels are maintained at their current low levels.

Finance

The accounts for the year ending 30 September 2018 have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

Following the sale of Arthur West House in October 2014, Hyelm only provides accommodation at its Old Street property. This is a mix of private rented accommodation and grant supported intermediate rent accommodation that is tenanted by priority group workers.

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On disposal of the Arthur West House site, management costs per unit increased as central costs previously allocated to the property have been retained but are supporting the development programme, which will provide new accommodation on a number of sites. As a result, we have shown operating and management costs in total, as well as reporting on these costs excluding our central overheads, this being a more representative measure of our performance relating to residential accommodation.

Reporting against the 2018 Value for Money Standard

The Hyelm Group has adopted the reporting requirements of the 2018 Value for Money Standard and we have recalculated prior year metrics in order to provide comparative figures for the year ended 30 September 2018 and prior years. We have also calculated the metrics for 2018/19 based on the approved plan for the year in order that we can assess future performance.

Metric 1 – Reinvestment	2015/16	2016/17	2017/18	2018/19
Reinvestment %	1.26%	1.46%	42.35%	12.02%

Following the sale of the Hampstead property, Hyelm has only the Old Street scheme in operation. The significant increase in investment in 2018/19 relates to our investment in the Colindale site as part of our development programme. During 2017/18 Hyelm purchased the Colindale site for £10.5m. The planned investment for 2018/19 relates to the commencement of the building costs, with practical completion scheduled for July 2021.

Metric 2 – Supply

Unlike many large Registered Providers, Hyelm does not have an annual development programme. Our investment in property relates to a specific scheme and therefore the supply metric is not a relevant measure of performance.

Metric 3 – Gearing

	2015/16	2016/17	2017/18	Plan 2018/19
Gearing	43.05%	42.19%	24.50%	21.13%

Hyelm currently has one loan from Allied Irish Bank. Our investment in the new development in Colindale is funded by Hyelm's cash reserves, thus as the value of housing properties increase as the development progresses gearing will decrease. On completion of our new development Hyelm will have additional capacity for borrowing to support the development of additional accommodation and complete our strategic objective of providing 250 new bed spaces.

In addition to the VFM metric, Hyelm calculates the value of debt per unit of accommodation. As Hyelm has only one loan which is repayable over a 30-year period, the amount of debt per unit reduces over time as shown below:

	2015/16	2016/17	2017/18	Plan 2018/19
Debt per unit	£53,147.58	£52,856.78	£52,141.25	£51,001.51

Metric 4 – Earnings before Interest Tax Depreciation and Amortisation – Major Repairs Included

The EBITDA MRI (Earnings before Interest Tax Depreciation and Amortisation – Major Repairs Included) interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates against interest payments (the measure avoids any distortions stemming from the depreciation charge). The conversion of underutilised communal space to provide office accommodation for rent has resulted in an increase in interest cover which will allow for further investment in our current and future developments.

	2015/16	2016/17	2017/18	Plan 2018/19
EBITDA MRI	148.91%	134.74%	139.90%	155.85%

EBITDA to Debt Service Cost.

Our facility agreement with AIB requires Hyelm to achieve a ratio of EBITDA to Debt Service Costs of a minimum of 1:1. The ratio measures our ability to fund the repayment of capital and interest payable on the outstanding loan from current income generated by Hyelm.

During the three years to 30 September 2018 this ratio has been achieved as shown in the table below.

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	2015/16	2016/17	2017/18	Plan 2018/19
EBITDA to Debt Service Cost	1 : 2.76	1 : 1.59	1 : 1.61	1 : 1.72

Metric 5 – Headline residential housing cost per unit (Old Street only)

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. Although The Group is not a provider of social housing, the social housing cost per unit is the benchmark against which Hyelm chooses to measure performance. In addition to the performance measures set out by the regulator, the table below shows operating costs per unit for both Hyelm as a whole, and separately for the costs relating solely to the residential accommodation.

The costs have been separated in order that costs relating to accommodation in use can clearly be seen. The remaining operating costs are focused on the development programme currently underway to provide new accommodation following the disposal of Hyelm's Hampstead property.

	2015/16	2016/17	2017/18	Plan 2018/19
Headline residential housing cost per unit				
Operating costs overall	£4,998	£5,324	£5,666	£5,951
Operating costs overall - per week	£95.78	£102.03	£108.58	£114.05
Operating costs (residential units only)	£3,763	£3,921	£4,465	£4,534
Operating costs (residential units only) - per week	£72.11	£75.14	£85.57	£86.88

The increase in cost between 2016/17 and 2017/18 is largely because of investment in new IT and telephone systems which will result in reduced costs in 2018/19. Although the planned costs are budgeted to increase in 2018/19, this is a result of planned cyclical maintenance costs rising from £13,374 to £80,890 in 2018/19.

In addition to reporting on operating costs per unit, Hyelm also reports on management costs as a measure of efficiency. Management costs per unit are reported in the table below:

	2015/16	2016/17	2017/18	Plan 2018/19
Housing Management costs per unit of accommodation				
Management costs overall (Hyelm Group)	£2,817	£2,786	£3,005	£3,392
Management costs overall - per week (Hyelm Group)	£53.98	£53.39	£57.58	£65.00
Management costs - residential units only	£1,582	£1,383	£1,804	£1,974
Management costs - residential units only per week	£30.31	£26.50	£34.57	£37.83

As for other measures, management costs are reported as an overall cost and separately for the residential units under management. The increase in costs in 2017/18 related to the investment in policies and procedures to support the move-on of residents, an investment in the improvement to our IT, Telephony and other systems, together with investment in the Old Street Foyer conversion.

Metric 6 – Operating Margin

The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. The table below shows the operating margin for Hyelm as a whole, and separately for the residential accommodation which excludes central management costs relating to the management and progression of our planned development programme.

	2015/16	2016/17	2017/18	Plan 2018/19
Operating Margin				
Operating margin (Group)	7.95%	11.32%	17.41%	17.40%
Operating margin (residential only)	9.90%	7.45%	5.23%	1.48%
Operating margin (residential only) –Exc. Central costs	24.85%	24.06%	19.07%	0.00%

Metric 7 – Return on Capital Employed

This metric compares operating surplus to total assets less current liabilities and is a measure to assess the efficient investment of capital resources. The result shows that over time, Hyelm is improving the return on capital due partly to efficiencies being made and also by maximising the commercial rent from our Old Street scheme.

	2015/16	2016/17	2017/18	Plan 2018/19
Return on Capital Employed (Hyelm Group)	0.24%	0.29%	0.48%	0.56%

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VFM for 2018/19

It is our aim to be in the top quartile for both financial and operational performance, and to see our performance improve each year.

To achieve our objectives, we will need to be able to measure our performance and, where appropriate, to measure our performance against that of our peers to enable us to see what we do well, why our performance differs, and how we can improve our performance and provide better value for money.

As a result, we will be undertaking further work over the next year to support our aim of achieving our target. More specifically we will:

- Re-tender for the supply of electricity, gas and our cleaning contract.
- Continue to generate additional income through or new office accommodation at Old Street and to continue improve the utilisation of the newly refurbished communal space for residents.
- Review the elements that make up the service charges that our residents pay to ensure that they remain as affordable as possible for those whom we set out to house.

Officer's Insurance

As a fully subscribed member of the National Housing Federation, The Group receives indemnity insurance to safeguard voluntary Board members and senior executive staff.

Key Policies and Strategies

Reserves Policy

The majority of reserves are currently held in the revenue reserve.

Designated reserves are also maintained with funds earmarked for the following specific purposes:

- Future developments.
- Non-accommodation activities such as the provision of sporting, recreational and social facilities.

The Development fund represents funds available to meet future development expenditure. Each year, investment and similar income less development expenditure incurred, is transferred to the Development fund.

Any surplus income from the provision of non-accommodation activities is returned to the Activities fund.

Treasury Management

Following the sale of Arthur West House, the Treasury Management Policy was reviewed and updated to include the key recommendations of CIPFA's "Treasury Management in the Public Services: Code of Practice". (The Code), as described in Section 4 of that Code.

Rent

Increases take into account the income of our residents, charges levied by competing organisations and are in line with guidance from the Homes and Communities Agency.

Statement on Internal Controls Assurance

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing and has been in place throughout the period commencing 1 October 2016 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for all sub committees of the Board.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing policies and anti-theft and corruption policies.
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and reviewed by the Board on a regular basis. During the year no frauds were reported.

Hyelm

Report and Financial Statements for the year ended 30 September 2018

Report of the Board

The Board has received the Chief Executive's annual review of the effectiveness of the system of internal controls which are designed to provide reasonable, not absolute, assurance. The Board has also received the annual report of the internal auditor which reported that no significant control issues had been identified.

NHF Codes of Governance and Conduct

We are pleased to report that The Group complies with the principal recommendations of the NHF code of governance 2015 and is compliant with the NHF Code of Conduct 2012. A review of risk management procedures was undertaken during 2012-13 to ensure such procedures are operating effectively. Hyelm has published a new Governance Manual which provides a comprehensive manual of policies, procedures and guidance notes for all areas covered by the Code, and has published a statement on all its accountability mechanisms. Policies and procedures are reviewed by the management team in accordance with a published timetable (or according to need) and all significant changes are reported to the Board.

Statement of the Board's Responsibilities

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

Company Law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. Under that company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers, have been followed, subject to any material departures disclosed and explained in the financial statements.;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable it to ensure that the financial statements comply with the Companies Acts 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

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

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006 in respect of the report of the Board and strategic report.

The Report of the Board was approved by the Board on the 26 February 2019 and signed on its behalf by:



Charlotte Paxton
Chair



Keith Douglas
Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

Opinion

We have audited the financial statements of Hyelm (the 'company') for the year ended 30 September 2018 which comprise the Group Statement of Comprehensive Income, the Group Statement of Changes in Reserves, the Group Statement of Financial Position, the Group Statement of Consolidated Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted the UK and Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of The Group's and the parent charitable company's affairs as at 30 September 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 the Financial Reporting Standard Applicable to the UK and Republic of Ireland, the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' 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 exemption in preparing the Trustees' Annual Report and from preparing a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 10, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and parent 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 group or parent 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 section 151 of the Charities Act 2011 and report in accordance with those Acts.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


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 and, in respect of the consolidated financial statements, to the charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which 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 any party other than the charitable company, the charitable company's members, as a body, and the charity's trustees, as a body, for our audit work, for this report, or for the opinion we have formed.



Luke Holt (Senior Statutory Auditor)

for and on behalf of Kingston Smith LLP, Statutory Auditor



Devonshire House
60 Goswell Road
London
EC1M 7AD

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Hyelm

Report and Financial Statements for the year ended 30 September 2018

Statement of Comprehensive Income for the year ended 30 September 2018

		Group		Association	
	Note	2018	2017	2018	2017
		£	£	£	£
Turnover	2	1,298,301	1,173,771	1,266,847	1,142,000
Operating expenditure	2	(1,076,830)	(1,044,479)	(1,060,549)	(1,018,217)
Operating surplus / (deficit)	3	221,471	129,292	206,298	123,783
Loss relating to abortive costs	10	(231,681)	-	(231,681)	-
Interest receivable	4	149,890	157,532	149,890	157,532
Interest and financing costs	5	(361,959)	(365,049)	(361,959)	(365,049)
Surplus / (deficit) before and after tax		(222,279)	(78,225)	(237,452)	(83,734)

The notes on pages 19 to 34 form part of these financial statements.

There are no recognised gains and losses other than those included in the Statement of Comprehensive Income.

All activities relate to continuing operations.

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

The financial statements were approved by the Board on 26 February 2019.


Charlotte Paxton
Chair


Keith Douglas
Chief Executive

Hyelm

Report and Financial Statements for the year ended 30 September 2018

Statement of Changes in Reserves for the year ended 30 September 2018

Group	General Reserve £	Designated Reserves £	Endowment Fund £	Total £
Balance at 1 October 2016 (restated)	27,811,363	104,204	5,994,322	33,909,889
Surplus / (Deficit) for the year	(102,579)	-	24,354	(78,225)
Transfer to designated reserves	3,761	(3,761)	-	-
Balance at 30 September 2017	27,712,545	100,443	6,018,676	33,831,664
Surplus / (Deficit) for the year	(251,763)	-	29,484	(222,279)
Transfer from designated reserves	2,506	(2,506)	-	-
Balance at 30 September 2018	27,463,288	97,937	6,048,160	33,609,385

Association

	General Reserve £	Designated Reserves £	Endowment Fund £	Total £
Balance at 1 October 2016 (restated)	27,833,556	104,204	5,994,322	33,932,082
Surplus / (Deficit) for the year	(108,088)	-	24,354	(83,734)
Transfer to designated reserves	3,761	(3,761)	-	-
Balance at 30 September 2017	27,729,229	100,443	6,018,676	33,848,348
Surplus / (Deficit) for the year	(266,936)	-	29,484	(237,452)
Transfer from designated reserves	2,506	(2,506)	-	-
Balance at 30 September 2018	27,464,799	97,937	6,048,160	33,610,896

Hyelm
Report and Financial Statements for the year ended 30 September 2018

Statement of Financial Position as at 30 September 2018

Company No: 00244598

	Note	Group 2018 £	2017 £	Association 2018 £	2017 £
Fixed assets					
Property, plant and equipment	8	24,192,720	13,374,399	24,192,720	13,374,399
Other tangible fixed assets	9	97,617	40,322	97,617	40,322
		24,290,337	13,414,721	24,290,337	13,414,721
Current Assets					
Investments	10	-	-	100,000	100,000
Debtors	12	166,650	93,614	131,026	86,190
Cash and cash equivalents		20,717,138	31,808,380	20,541,773	31,763,027
		20,883,788	31,901,994	20,772,799	31,949,217
Creditors: Amounts falling due within one year	13	(2,788,542)	(2,558,787)	(2,676,042)	(2,589,326)
Net current assets / liabilities		18,095,246	29,343,207	18,096,757	29,359,891
Total assets less current liabilities		42,385,583	42,757,928	42,387,094	42,774,612
Creditors: amounts falling due after more than one year	14	(8,776,198)	(8,926,264)	(8,776,198)	(8,926,264)
Total net assets		33,609,385	33,831,664	33,610,896	33,848,348
Share Capital					
Reserves					
Unrestricted fund		27,463,288	27,712,545	27,464,799	27,729,229
Designated fund	18	97,937	100,443	97,937	100,443
Endowment fund	19	6,048,160	6,018,676	6,048,160	6,018,676
Total Reserves		33,609,385	33,831,664	33,610,896	33,848,348

The notes on pages 19 to 34 form part of these financial statements.

The financial statements were approved by the Board on 26 February 2019.


Charlotte Paxton
Chair


Keith Douglas
Chief Executive

Hyelm

Report and Financial Statements for the year ended 30 September 2018

Statement of Cash Flows for the year ended 30 September 2018

Group

	Note	2018 £	2017 £
Net cash generated from operating activities	20	635,790	3,233,150
Purchase of tangible fixed assets		(11,426,922)	(231,626)
Interest received		149,890	157,532
		<u>(11,277,032)</u>	<u>(74,094)</u>
Cash flow from financing activities			
Interest paid		(360,559)	(363,649)
Repayment of borrowings		(89,441)	(36,351)
		<u>(450,000)</u>	<u>(400,000)</u>
Net change in cash and cash equivalents		(11,091,242)	2,759,056
Cash and cash equivalents at beginning of year		31,808,380	29,049,324
Cash and cash equivalents at end of year		<u>20,717,138</u>	<u>31,808,380</u>

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

1. Accounting Policies

Company Information

Hyelm is a limited company domiciled and incorporated in England and Wales. The registered office is 43-51 New North Road, London, N1 6JB.

Accounting Basis

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Arthur West House Limited is a wholly owned subsidiary of Hyelm, the company having been incorporated on 16 July 2015. The principal activity of the company is to carry out development activities on behalf of The Hyelm Group.

Hyelm is the sole corporate trustee of The Ames House Trust ("Ames House") which was an unincorporated charitable trust operating in London and is accounted for as a branch of Hyelm in accordance with the policy guidance "E14 – Preparing limited charities' accounts".

The company is required to prepare group accounts under section 248 of the Companies Act 2006 and these financial statements present information relating to the company and group.

The financial statements are prepared in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

Accounting Policies

The Board has reviewed The Group's accounting policies and is satisfied that they are appropriate.

Going concern

After making enquiries, the Board has a reasonable expectation that The Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. The Group also has a long-term business plan which shows that it can service existing debt facilities whilst continuing to comply with lenders' covenants. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover and revenue recognition

Turnover comprises rental income from residents' receivable in the year, income from the provision of sporting, recreational or social facilities and costs recharged to The Ames House Trust for management services relating to the management by Hyelm of the any leasehold property and other assets owned by The Ames House Trust.

Rental income is recognised on the execution of tenancy agreements. Other income is recognised as receivable on the delivery of services provided.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Depreciation of Housing Properties

Hyelm separately identifies the major components which comprise its housing properties, and charges depreciation so as to write down the cost of each component to its estimated residual value on a straight-line basis, over its estimated useful economic lives in the business.

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

The Group depreciates the major components of its housing properties over the following periods:

Main structure	50 years
Roofs	30 years
Lifts	30 years
Windows & External Doors	15 years
Internal Doors	15 years
Electrical and mechanical equipment	10-15 years

Freehold land is not depreciated.

Other Tangible Fixed Assets and Depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates for other assets are:

Fixtures and fittings	10% - 25%
Computer Equipment	20%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit of the year.

Impairment

Assets are reviewed for impairment on an annual basis. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus.

Social Housing Grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing are recognised in income and expenditure over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Government grants received in respect of revenue expenditure is credited to the income and expenditure account over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government agencies or received in advance are included as current assets or liabilities.

Government grants received for housing purposes are subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in Creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the income and expenditure account.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant that has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, The Group is required to recycle these proceeds and recognise them as a liability.

Employees Benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits on call with banks, other short-term investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Creditors

Short term trade creditors are measured at the transaction price. The loan from Allied Irish Bank is considered to be a basic financial instrument and has therefore been included within the accounts at amortised cost.

Current Asset Investments

Where these are held, they are stated at market value.

Investment Income

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

Interest from Certificates of Deposit and Fixed Interest Bonds is accounted for on a receivable basis.

Dividend income is accounted for on a received rather than receivable basis. The difference is not material to the accounts.

Interest Payable

Interest is capitalised on borrowings to finance developments. Other interest is charged to the income and expenditure account during the year.

Loan Issue Costs

Loan Issue Costs reflect arrangement fees payable in respect of loan facilities. Loan issue costs are amortised over the term of the respective loan facility and offset against loan balances within creditors.

Liquid Resources

Liquid Resources are readily disposable current asset investments.

Pensions

The Group does not provide a defined benefit pension scheme. Employees are, subject to eligibility, automatically enrolled into the NEST pension scheme to which employees contribute a minimum of 5% of basic salary, the Company will make contributions up to a maximum of 7.5% of basic salary (Chief Executive 10%). Hyelm's contributions to employees' personal pension schemes are expensed as they occur.

Members' Capital Subscriptions

Members have historically paid a single subscription of £1, due and payable on the first day of the month after they have been admitted to the membership. This requirement was rescinded at the Annual General Meeting held on 28 April 2012. Balances held will be repaid to members on request.

Stock

Stock is calculated at the lower of cost or net realisable value.

VAT

The Group charges Value Added Tax (VAT) on some its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by The Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Development Fund (designated reserve)

The development fund represents funds available to meet future development expenditure which falls within The Group's objectives.

Club Activities Fund (designated reserve)

The club activities fund supports expenditure in respect of non-accommodation activities such as the provision of sporting, recreational and social facilities.

Any surplus achieved through the provision of such activities is returned to the fund.

Financial Instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from Group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised costs, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and are subsequently measured at amortised cost using the effective interest method.

Judgments and key sources of estimation uncertainty

In the application of the charitable company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and in future periods where the revision affects both current and future periods.

In the opinion of the Directors, there are no significant estimates, assumptions or judgements which materially affect the balances shown in these financial statements.

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

2. Particulars of turnover, operating costs and operating surplus

Group	Turnover £	Operating costs £	2018 Operating surplus £
Letting of residential accommodation	1,085,430	1,029,095	56,335
Other residential accommodation activities			
Management services	-	-	-
Other income	67,331	-	67,331
	67,331	-	67,331
Non-residential accommodation activities	145,540	47,735	97,805
	1,298,301	1,076,830	221,471

Group	Turnover £	Operating costs £	2017 Operating surplus £
Letting of residential accommodation	1,056,344	977,596	78,748
Other residential accommodation activities			
Management Services	-	8,850	(8,850)
Other income	17,361	-	17,361
	17,361	8,850	8,511
Non-residential accommodation activities	100,066	58,033	42,033
	1,173,771	1,044,479	129,292

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

Association	Turnover £	Operating costs £	2018 Operating surplus £
Letting of residential accommodation	1,085,430	1,029,095	56,335
Other residential accommodation activities			
Management services	-	-	-
Other income	67,331	-	67,331
	67,331	-	67,331
Non-residential accommodation activities	114,086	31,454	82,632
	1,266,847	1,060,549	206,298

Association	Turnover £	Operating costs £	2017 Operating surplus £
Letting of residential accommodation	1,056,344	977,596	78,748
Other residential accommodation activities			
Management Services	-	8,850	(8,850)
Other income	17,361	-	17,361
	17,361	8,850	8,511
Non-residential accommodation activities	68,295	31,771	36,524
	1,142,000	1,018,217	123,783

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

Particulars of income and expenditure from the letting of intermediate and sub market rent accommodation

			2018
Group and Association	Private Rented £	Intermediate Rent £	Total £
Rent receivable net of identifiable service charges	487,439	377,888	865,327
Service Charge income	65,322	94,781	160,103
Other revenue grants - SHG released	-	60,000	60,000
Turnover from the letting of residential accommodation	552,761	532,669	1,085,430
Management	161,815	214,673	376,488
Service charge costs	64,107	93,017	157,124
Other service costs	64,506	80,308	144,814
Routine maintenance	22,872	30,668	53,540
Planned maintenance	5,713	7,661	13,374
Major repairs expenditure	-	-	-
Bad debts	163	218	381
Depreciation on housing properties	121,057	162,317	283,374
Loss on disposal of fixed assets	-	-	-
Operating costs on residential lettings	440,233	588,862	1,029,095
Operating surplus / (loss) on residential lettings	112,528	(56,193)	56,335
Void Losses	4,206	6,103	10,309
			2017
Group and Association	Private Rented £	Intermediate Rent £	Total £
Rent receivable net of identifiable service charges	476,410	369,338	845,748
Service Charge income	61,443	89,153	150,596
Other revenue grants - SHG released	-	60,000	60,000
Turnover from the letting of residential accommodation	537,853	518,491	1,056,344
Management	142,087	206,166	348,253
Service charge costs	59,797	86,764	146,561
Other service costs	70,769	102,688	173,457
Routine maintenance	6,823	9,900	16,723
Planned maintenance	14,673	21,290	35,963
Depreciation on housing properties	104,709	151,930	256,639
Loss on disposal of fixed assets	-	-	-
Operating costs on residential lettings	398,858	578,738	977,596
Operating surplus / (loss) on residential lettings	138,995	(60,247)	78,748
Void Losses	1,922	2,788	4,710

Housing accommodation 125 bed spaces (2017: 125 bed spaces)

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

3. Operating Surplus

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Operating surplus for the year is after charging:				
Depreciation on housing properties	283,374	256,639	283,374	256,639
Depreciation on tangible, owned fixed assets	36,251	55,489	36,251	55,489
	319,625	312,128	319,625	312,128
Loss on disposal of tangible fixed assets	-	-	-	-
Auditor's remuneration (excluding VAT)				
- Fees payable for the audit of the financial statements	11,100	10,950	11,100	10,950
- Fees payable for the audit of the accounts of subsidiaries	3,950	1,800	-	-
Total audit Services	15,050	12,750	11,100	10,950
- Tax compliance services	750	1,500	-	-
Total non-audit services	750	1,500	-	-

4. Interest receivable and other income – Group and Association

	2018 £	2017 £
Interest receivable and similar income	162,021	163,355
Less: Notional RCGF interest	(12,156)	(5,848)
Donations	25	25
	149,890	157,532

5. Interest and financing costs – Group and Association

	2018 £	2017 £
Loans and bank overdrafts	360,559	363,649
Amortisation of loan issue costs	1,400	1,400
	361,959	365,049

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

6. Employees – Group and Association

	2018 Number	2018 FTE	2017 Number	2017 FTE's
The average monthly number of employees (including the Chief Executive) and expressed as full-time equivalents based on a 36 hour week.	6.7	6.3	6.7	6.6
Administration	4.0	3.6	4.0	3.6
Development	-	-	-	-
Housing	2.7	2.7	2.7	3.0
	6.7	6.3	6.7	6.6

Hyelm

Employee Costs:

	£	£
Wages and salaries	215,629	214,654
Social security costs	20,374	21,020
Other pension costs	15,765	16,284
	251,768	251,958

The Group

Employee Costs:

	£	£
Wages and salaries	244,317	236,615
Social security costs	23,549	23,218
Other pension costs	18,320	18,232
	286,186	278,065

7. Board members and executive directors – Group and Association

	2018 £	2017 £
Emoluments of the Company's Chief Executive, Director of Finance & Director of Operations including pension contributions.	178,474	175,858
Emoluments of the Chief Executive, who was the highest paid "Director", excluding pension contributions.	62,930	62,000
Contributions to the Chief Executive's personal pension plan.	6,293	6,200

No members of staff were paid more than £60,000 other than the Chief Executive (as disclosed above).

No emoluments were paid to members of the Board during the year. Expenses paid during the year to members of the Board amounted to £3,353 (2016: £4,537).

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

8. Fixed Assets – housing properties – Group and Association

	Housing properties held for letting £	Housing properties for letting under construction £	Total housing properties £
Cost			
At 1 October 2017	15,313,697	345,875	15,659,572
WIP written off	-	(231,681)	(231,681)
Transfer from WIP to fixed Assets	26,109	(26,109)	-
Work in progress	-	10,661,013	10,661,013
Works to existing properties	672,363	-	672,363
At 30 September 2018	16,012,169	10,749,098	26,761,267
Depreciation			
At 1 October 2017	2,285,173	-	2,285,173
Depreciation charged during year	283,374	-	283,374
At 30 September 2018	2,568,547	-	2,568,547
Net book value			
At 30 September 2018	13,443,622	10,749,098	24,192,720
At 30 September 2017	13,028,524	345,875	13,374,399

Expenditure on works to existing properties

	2018 £'s	2017 £
Improvement works capitalised	698,472	77,665
	698,472	77,665

Social housing assistance

	2018 £	2017 £
Total accumulated social housing grant received or receivable at 30 September: Capital Grant	3,000,000	3,000,000
	3,000,000	3,000,000

Housing properties book value net of depreciation

	2018 £	2017 £
Freehold land and buildings	24,192,720	13,374,399

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

9. Tangible fixed assets – other – Group and Association

	Furniture & equipment £	Computer equipment £	Total £
Cost at 1 October 2017	558,066	12,999	571,065
Additions	75,597	17,949	93,546
Eliminated on disposal	(4,436)	-	(4,436)
Cost at 30 September 2018	629,227	30,948	660,175
Depreciation at 1 October 2017	519,354	11,389	530,743
Charged during year	30,195	6,056	36,251
Eliminated on Disposal	(4,436)	-	(4,436)
Depreciation at 30 September 2018	545,113	17,445	562,558
Net book value:			
At 30 September 2018	84,114	13,503	97,617
At 1 October 2017	38,712	1,610	40,322

10. Disposal of fixed assets and abortive costs

	2018 £	2017 £
Work in Progress - abortive costs	(231,681)	-
Loss on disposal of assets	(231,681)	-

At the year-end costs amounting to £231,681 relating to development opportunities that were no longer being considered were written off as abortive costs.

11. Investments

	Group 2018 £	2017 £	Association 2018 £	2017 £
Investment in subsidiary	-	-	100,000	100,000
	-	-	100,000	100,000

Arthur West House Limited is a wholly owned subsidiary of Hyelm. At the 30 September 2018 Hyelm held 100,000 ordinary shares of £1 each (2017: £100,000).

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

12. Debtors

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Due within one year				
Rent and service charge receivable	13,612	14,473	13,612	14,473
Provision for bad and doubtful debts	(13,612)	(14,473)	(13,612)	(14,473)
	-	-	-	-
Other debtors	57,158	7,574	57,158	150
Prepayments	19,963	32,911	19,963	32,911
Accrued income	89,529	53,128	53,905	53,128
	166,650	93,613	131,026	86,189
Debts due after more than one year				
Prepayments and accrued income	-	-	-	-
Total debtors	166,650	93,613	131,026	86,189

13. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Recycled capital grant fund (note 16)	2,357,237	2,345,081	2,357,237	2,345,081
Debt	91,466	89,441	91,466	89,441
Loan issue costs	(1,400)	(1,400)	(1,400)	(1,400)
Trade creditors	122,719	29,960	43,950	28,160
Rent and service charges paid in advance	-	593	-	593
Due to subsidiary (note 24)	-	-	11,921	32,339
Deferred capital grant (note 15)	60,000	60,000	60,000	60,000
Other taxation and social security	8,873	9,555	2,507	9,555
Other creditors	4,764	4,454	4,764	4,454
Accruals	144,883	21,103	105,597	21,103
	2,788,542	2,558,787	2,676,042	2,589,326

14. Creditors: amounts falling due after more than one year – Group and Association

	2018	2017
	£	£
Debt (note 17)	6,426,190	6,517,656
Loan issue costs	(22,458)	(23,858)
Deferred capital grant (note 15)	2,372,466	2,432,466
	8,776,198	8,926,264

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

15. Deferred capital grant – Group and Association

	2018 £	2017 £
At 1 October 2017	2,492,466	2,552,466
Released to income in year	(60,000)	(60,000)
At 30 September 2018	<u>2,432,466</u>	<u>2,492,466</u>
	2018 £	2017 £
Amounts to be released within one year	60,000	60,000
Amounts to be released in more than one year	2,372,466	2,432,466
	<u>2,432,466</u>	<u>2,492,466</u>

The deferred capital grant relates to the New North Road property and may be repayable should the property be sold.

16. Recycled capital grant fund – Group and Association

	2018 £	2017 £
At 1 October 2017	2,345,081	2,339,233
Interest accrued	12,156	5,848
	<u>2,357,237</u>	<u>2,345,081</u>
Repayment of grant	-	-
At 30 September 2018	<u>2,357,237</u>	<u>2,345,081</u>
Grant due for repayment	<u>2,357,237</u>	<u>2,345,081</u>

The recycled capital grant arose in the year ended 30 September 2015 on the sale of Arthur West House.

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

17. Debt analysis – Group and Association

	2018 £	2017 £
Due within one year		
Bank loans	91,466	89,441
	91,466	89,441
Due after more than one year		
Bank loans	6,426,190	6,517,656
Less: issue costs	(22,458)	(23,858)
	6,403,732	6,493,798

The loan from Allied Irish Bank (GB) is secured by a legal charge over the Old Street Development and is repayable within 30 years. The loan bears a fixed interest rate of 5.5% over the whole term, with capital repayments having commenced during the year to 15 October 2013. The loan is repayable as follows:

	2018 £	2017 £
Within one year or on demand	91,466	89,441
One year or more but less than two years	97,586	91,466
Two years or more but less than five years	480,085	404,438
Five years or more	5,848,519	6,021,752
	6,517,656	6,607,097

18. Designated fund – Group and Association

The Group holds funds designated for development expenditure and for supporting non-accommodation activities for residents such as recreational and social activities. Any surpluses generated are returned to the fund.

	£
Balance at 1 October 2016	104,204
Transfers in year	(3,761)
Balance at 30 September 2017	100,443
Transfers in year	(2,506)
Balance at 30 September 2018	97,937

19. Endowment fund – Group and Association

The endowment fund held by The Group is the original endowment to The Ames House Trust to which trading surpluses/deficits and investment gains/losses have been added over the years, together with the proceeds from properties sold.

	£
Balance at 1 October 2016	5,994,322
Surplus for the year	24,354
Balance at 30 September 2017	6,018,676
Surplus for the year	29,484
Balance at 30 September 2018	6,048,160

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

20. Consolidated cash flow from operating activities

	Year to 30/09/2018 £	Year to 30/09/2017 £
Surplus for the year	221,471	129,292
Adjustments for non-cash items		
Depreciation of tangible fixed assets	319,625	312,127
Decrease / (increase) in debtors	(73,036)	2,890,742
(Decrease) in creditors	227,730	(39,011)
Government grants utilised in the year	(60,000)	(60,000)
Net cash generated from operating activities	635,790	3,233,150

21. Capital commitments

The Board have agreed to a programme for the provision of new accommodation following the sale of Arthur West House. The indicative cost of this development programme is £40m. At the balance sheet date, no contracts for the provision of this accommodation had been awarded.

The company had no operating lease commitments at 30 September 2018 (2017: £NIL).

22. Post balance sheet events

There have been no events since the year-end that have had a significant effect on the Company's financial position.

23. Legislative provisions

Hyelm is incorporated under the Companies Act.

24. Related parties

Arthur West House limited is a wholly owned subsidiary of Hyelm, a charitable company registered in England and Wales and is considered to be the ultimate controlling party. The sum of £11,921 excluding VAT (2017: £32,339) was due from Hyelm at the end of the financial year in respect of development services provided during the year.

25. Financial instruments

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Carrying amount of financial assets measured at amortised cost	<u>146,687</u>	<u>60,702</u>	<u>111,063</u>	<u>53,278</u>
Carrying amount of financial liabilities measured at amortised cost	<u>6,766,164</u>	<u>6,637,356</u>	<u>6,660,030</u>	<u>6,667,895</u>

26. Contingent asset

Following the Grenfell Tower tragedy, the structure of the Old Street scheme was investigated to determine whether the building met the required fire safety standards. The investigation revealed that the fire safety measures in place fell short of the standards required, and in addition there were several areas where building regulations in place at the time of the construction of the building had not been met. A number of interim measures have been put in place to ensure the safety of our residents, who are aware of the issues, and a programme of works is underway to address the issues identified and ensure that the building will meet current fire safety standards.

We are of the opinion that the deficiencies identified are a result of shortcomings in the build process, and as a result Hyelm is seeking to recover the costs of the remedial works from the NHBC and the original contractor.

The process of recovering costs has begun, but at this stage it is not possible to accurately quantify the value of the costs already incurred and those expected to arise in future that will be recovered.

Hyelm

Notes to the Financial Statements for the year ended 30 September 2018

26. Operating leases

The Group and Hyelm had minimum lease payments due to them as lessor under non-cancellable operating leases, including tenanted accommodation as set out below:

Operating leases	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Not later than one year	139,492	129,369	139,492	129,369
Later than one year and not later than five years	128,589	211,221	128,589	211,221
Later than five years				
	268,081	340,590	268,081	340,590

Residents in Hyelm's properties are enter into assured shorthold tenancy agreements with a minimum length of six months. In addition to the residential accommodation provided, Hyelm has leased office accommodation to a third party for a for a four-year period.