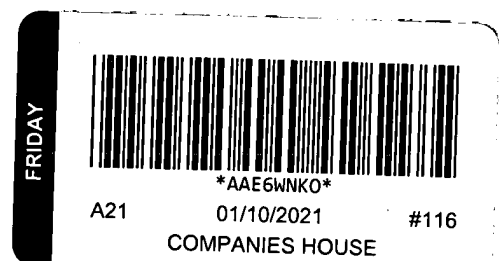


**HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2021**

Registered Number: 01985799



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## **HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED**

### **DIRECTORS**

The Directors who served during the year were as follows:

Mr R Hingston *	(Chairman)
Mr P Tyrrell *	(Deputy Chairman)
Mr R Harnal	(Chief Financial Officer)
Mr J Beavan	Resigned 7 May 2021
Mr A Cheetham	Resigned 26 January 2021
Ms R Dhir	
Mr D Flattery *	
Mr A King	
Mr A Lewis *	
Mr S Rossi *	
Mr P Moat	Appointed 28 May 2021
Mr N Painter	
Ms K Vernau	

\* Members of the Audit and Risk Committee

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### CHAIRMAN'S REPORT

For the year ended 30 June 2021, the Housing Association Property Mutual Limited ("HAPM,") showed a surplus of £0.738m (2020: surplus £0.077m). This has resulted in HAPM having free reserves at the year-end of £14.932m (2020: £14.194m).

The surplus reported above is due to various factors. The first is the continuing overall reduced exposure to potential claims and expected claims payable in future years. The claims payment pattern is based on an actuarial model approved by HAPM's regulators. The releases take into account the impact of Policy years, which have reached the end of their twenty-year terms. The effect of this has resulted in £0.195m (2020: £0.217m) being released from the claims reserves to free reserves.

The second factor has been the release of £0.416m provisions in future run-off expenses (2020: £0.376m) which are lower than originally forecast.

The third factor has been the performance of our investment portfolio. Net investment income was £0.537m (a return of 3.25 % of the total funds invested) which compares to an investment loss of £0.095m last year (a negative return of 0.33).

A frequent theme in my Chairman's report is the future of HAPM as one of the main issues the Board will have to deal with. Members will recollect my previous statement where I mentioned that the Board reviewed the various options open to it for the future. After taking advice from the Managers, we concluded that the option considered most favourable to Members was to continue with existing policies that were within their original 20 year term, which both helps those Members with active policies, and maximises the position for all Members when HAPM is finally closed. This option is also the least costly and avoids excessive regulatory involvement. This decision is revisited annually and at the January 2021 the Board agreed that the earliest that a Capital distribution can be made to our members is 2023. This decision will next be reviewed in our January 2022 meeting.

I am pleased to report that for a Club in run off HAPM continues to be in a strong financial position, well reserved to pay Members claims, and is on course to make a Capital Distribution of its free reserves to its members.

I would like to thank John Bevan and Adrian Cheetham who have resigned from the Board for their service and contribution to the continued success of HAPM. John has been a Director of HAPM for over twenty years and was instrumental in the successful implementation of HAPM's scheme of arrangement. Adrian joined the Board in 2018 and has had to resign as he is joining an organisation that is not a Member HAPM.

Finally, I wish to take this opportunity to record my deep appreciation for the contribution and commitment of my fellow non-executive Directors to the continued success of HAPM. The ever-changing regulatory environment has substantially increased the time required from the Directors. Their time is given on a voluntary basis for the benefit of the membership as a whole. I extend my thanks and to the Managers, Thomas Miller, for their commitment to HAPM.



Mr R Hingston  
Chairman  
10 September 2021

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### STRATEGIC REPORT

The Directors have pleasure in presenting the Strategic report for the year ended 30 June 2021.

### REVIEW OF THE YEAR

HAPM continued to provide insurance for 20-year policies for new build and rehabilitated social housing covering structural defects, non-structural defects and other ancillary losses. HAPM had ceased accepting registrations for new business in May 2002. Following the successful implementation of the Scheme of Arrangement, HAPM has reduced all of its remaining 35-year policies to 20 years.

The surplus for the year after taxation is £0.738m (2020: £0.077m) has been transferred to reserves. These reserves are to meet claims and the solvency requirement under the Financial Services and Markets Act 2000. The Directors anticipate no significant changes in HAPM's future activities.

### Financial Results

The figures in the table below are from the Annual Report and Financial Statements for the year ended 30 June 2021, which will be submitted to the membership for approval at the Annual General Meeting, which will be held on Friday 28 January 2022.

The Income and Expenditure Account (on pages 13 and 14) and the Balance Sheet (on pages 16 and 17), together with the notes to the Financial Statements, set out HAPM's financial position in detail. The following table compares key financial information for the year-end.

Amount in £'000	2021	2020
Release in claims provisions	195	217
Change in provision in run off expenses	416	376
Operating expenses	(410)	(421)
Surplus on technical account	201	172
Investment Income	571	(63)
Surplus before tax	772	109
Tax charge	(34)	(32)
Surplus for the financial year	738	77
Free reserves at year end	14,932	14,194

The Directors have set in place formal investment policies and objectives. The primary objective is to preserve capital to maintain solvency and pay future claims and expenses. Its secondary objective is to maximise the longer-term rate of investment return. The investment return for the year under review was 3.25% (2020: negative 0.33%).

## **HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED**

### **STRATEGIC REPORT (continued)**

#### **IMPACT OF COVID-19**

The Directors have been monitoring the on-going Covid 19 pandemic and have determined that it has not had a material effect on its business.

#### **COMPANIES ACT SECTION 172(1)**

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of HAPM and benefit the Members as a whole; and in doing so to have regard to various other stakeholder interests, including the Managers, regulators, brokers and reinsurers.

As a mutual insurer, HAPM exists for the benefit of its Members, who are also the insureds of HAPM. As HAPM has been in run off since 2002 the key decisions made in the year was monitoring the investment performance and reviewing the financial operations of HAPM to ensure that it was adequately well reserved.

The key factors under section 172(1) are considered further below:

##### **1. The likely consequences of any long-term decision.**

HAPM has been in a stable run off since 2002. It produces run off projections annually, which takes into account projected investment income, claims and operating expenses for the next five years. The Investment portfolio is set so that its investment holdings matches the projected claims liabilities of HAPM. HAPM maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 30 June 2021, HAPM's short term deposits (including cash and Undertakings for Collective Investment in Transferable Securities" (UCITs) amounted to £613k to pay any liabilities. The main long-term decision will be to distribute its reserves to its members and de register HAPM. This decision will only be taken after receiving regulatory approval.

##### **2. The interests of HAPM's employees**

HAPM has no employees. It has outsourced its day-to-day operations to the Managers. One employee of the Managers has been appointed to HAPM's Board as an executive Director.

##### **3. The need to foster HAPM's business relationships with suppliers, customers and others.**

HAPM's primary focus, as a mutual insurer, is the provision of insurance to its Members and ensure that its Members are provided with an outstanding claims handling service.

The Managers report to HAPM on the performance of suppliers and its relationship with others, including insurance and professional regulators.

##### **4. The impact of HAPM's operations on the community and the environment.**

HAPM considers the best interests of its Members as a priority. The non-executive Directors are all involved or have been involved in the running of Housing Associations so ensure that whatever actions it takes is in the interest of the community. An example of this is to ensure that HAPM is run off well so that its reserves can be distributed to its members; this will result in them being able to invest in their businesses.

**STRATEGIC REPORT (continued)**

**4. The impact of HAPM's operations on the community and the environment. (continued)**

As a service orientated organisation, the Company does not have a material impact on the environment. The Board bears ultimate responsibility for managing the financial risks arising from climate change. Their responsibilities include:

- Understanding and assessing the risks to which HAPM is exposed; their effect on solvency, liquidity and the ability to pay claims, together with their potential to cause reputational risk;
- Setting the tone by exercising effective oversight of risk management and controls and ensuring that adequate resources and sufficient skills and expertise are devoted to managing the financial risks from climate change; and
- Reviewing HAPM's investment portfolio to determine climate-related risk factors.

HAPM has no direct exposure to climate change risks but will continually analyse its exposure as regards the risks to which its Members might be exposed. Consideration of indirect climate change related financial risks such as the impact on its investment portfolio following unanticipated or premature write-downs or devaluation will also be monitored.

HAPM does not fall under the scope of the Streamlined Energy and Carbon reporting (SECR) requirements. The Directors have determined that HAPM is a low energy user, using less than 40,000 kwh per year. As noted earlier, the Company's core management and business activities are outsourced to Thomas Miller. For these reasons the Directors have not included information in relation to HAPM's energy and carbon usage.

**5. The desirability of HAPM maintaining a reputation for high standards of business conduct.**

The Board has in place a conduct risk policy that applies to both the Board and the Managers. The policy is intended to ensure that HAPM has due regard to the interest of its Members whilst keeping them, and the integrity of the markets in which they operate, at the heart of everything it does.

**6. The need to act fairly between Members of HAPM.**

HAPM's conduct risk policy ensures that Members are treated fairly. In addition, the Board has established a conflicts of interest policy, which ensures that any Director's conflict of interest is appropriately disclosed and dealt with at Board level.

The Directors therefore consider that the requirements of Section 172(1) are appropriately addressed by HAPM's policies and procedures.

**FINANCIAL RISK MANAGEMENT**

HAPM is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due.

The most important components of financial risk are insurance risk, market risk, credit risk, liquidity risk, and operational risk.

Due to the run-off nature of HAPM's business and the assets and liabilities contained within HAPM's balance sheet the only financial risks the Directors consider relevant to this Company are interest rate risk, credit risk, reserving risk and liquidity risk.

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### STRATEGIC REPORT (continued)

#### Reserving and Interest Rate Risk

The reserving risk and interest rate risk are mitigated by prudent inflation rates used within the reserving model, which generates the reserves and the continual review by management of both the claims experience and the appropriateness of these rates.

#### Credit Risk

Credit risk is the risk of losses caused by other parties failing, in whole or part, to meet obligations to HAPM. Debtor exposure is mitigated by being widely spread across the membership, strong credit control procedures and regular reports from the Managers to the Board.

#### Liquidity Risk

The liquidity risk of HAPM is mitigated by the availability of assets within the balance sheet of HAPM, which can readily be converted into cash to meet liabilities as they fall due.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R Hingston', written in a cursive style.

Mr R Hingston  
Chairman  
10 September 2021



## **HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED**

### **DIRECTORS' REPORT**

The Directors have pleasure in presenting their annual report together with the audited Financial Statements of HAPM for the year ended 30 June 2021.

HAPM has a management agreement with H.A.P.M. Management Company Limited.

HAPM has no employees.

The principal risks and uncertainties facing HAPM have been covered under the heading Financial Risk Management of the Strategic Report.

The Board of Directors have effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of HAPM against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Directors or Officers of HAPM. The insurance also covers HAPM's loss when it is required or permitted to indemnify the Directors or Officers pursuant to the law, Common or Statutory, or the Articles of Association. The cost of the insurance is met by HAPM and is disclosed in note 8 of the Financial Statements.

#### **Going Concern**

After making enquiries, the Directors have a reasonable expectation that HAPM has adequate resources to continue operations for the near future. For this reason, the going concern basis has been adopted in preparing the accounts.

#### **Future Developments**

As HAPM is in a stable run-off position, the Directors do not expect any changes to its operation for the next twelve months. However, as mentioned in the Chairman's report it will review its decision in January 2022 regarding the closure of HAPM.

### **DIRECTORS**

The present Directors of HAPM are shown on page 1.

In accordance with Article 46, Mr R Hingston, Mr N Painter and Mr P Tyrrell retire by rotation and, being eligible, offer themselves for re-appointment.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

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

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of HAPM and of the profit or loss of HAPM for that period. In preparing these Financial Statements, the Directors are required to:

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

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

#### Meeting of Directors

During the 2020 Policy year, the Directors held three formal meetings in September 2020, January 2021 and May 2021.

They also maintained contact with the Managers between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Association's Articles and Rules. The items considered and reported at the four meetings included:

**Audit:** The Auditor's report on the Financial Statements and the annual return to the Prudential Regulatory Authority (PRA) for the year ended 30 June 2020 were approved by the Board and formally adopted at the Annual General Meeting held on 11 September 2020.

**Claims:** Approval of year-end claim's reserves. Review of claims and notifications received in the year.

**Directors:** Appointment and re-appointment of Directors and renewal of Directors and Officers liability insurance.

**Finances:** Financial forecasts and financial reports for the year. Review of internal audit and Business Plans. Review of run off options.

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### Meeting of Directors (continued)

**Investments:** Receive reports on Investment performance and agree revised Investment Policy.

#### Board Committees

**The Audit & Risk Committee** comprising Mr P Tyrrell (Chairman), Mr D Flattery, Mr R Hingston, Mr A Lewis and Mr S Rossi assist the Board in recommending the approval of the Financial Statements, and year-end claims reserves. The Committee ensures that HAPM complies with and meets all legal and regulatory requirements. It is also responsible for assessing the Business Risk of HAPM. It is also responsible for recommending the appointment of internal and external audit appointments and to provide a clear channel of communication between the Board and the auditor. The Committee met once in the year.

**The Remuneration Committee** comprising Mr P Tyrrell (Chairman), Mr D Flattery, Mr R Hingston, and Mr S Rossi assist the Board in recommending the setting of the Management Fee. The Committee did not meet in the year as a three year deal commencing 2019 was already in place.

The Board is informed of the main issues discussed, as minutes of the meetings are included in the Board's agenda papers.

#### AUDITOR

HAPM's auditor, Deloitte LLP, have expressed their willingness to continue to serve as HAPM's auditor. A resolution for their re-appointment and to authorise the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R Hingston', is written over a horizontal line.

Mr R Hingston  
Chairman  
10 September 2021

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements of Housing Association Property Mutual Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30<sup>th</sup> June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income and expenditure account;
- the reconciliation of movements in other reserves;
- the balance sheet;
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

##### *Conclusions relating to going concern*

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

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

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

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### *Other information*

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

### *Responsibilities of directors*

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

We obtained an understanding of the legal and regulatory framework[s] that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Insurance Regulations issued by the PRA and the UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Technical provisions – Claims incurred but not reported: The provisions model and methodology used were confirmed to be consistent with prior periods with key assumptions challenged and agreed to 3<sup>rd</sup> party sources of information where applicable. We also traced a sample of data in the model to the original source data. The provision release for the year was agreed to the model and assessed as reasonable given that no new claims were paid or notified during the year

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### *Report on other legal and regulatory requirements*

#### *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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### *Matters on which we are required to report by exception*

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

### *Use of our report*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Downes (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
10 September 2021

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 30 June 2021

### Technical Account - General Business:

Amounts in £'000	Notes	2021	2021	2020	2020
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written		-		-	
Release of Reinsurance premium provision	5	-		-	
<b>Earned premiums, net of reinsurance</b>			-		-
<b>Claims incurred net of reinsurance</b>					
Claims paid					
Gross amount	6	-		-	
		-		-	
Change in provision for claims					
Gross and net amount	6	195		217	
		195		217	
			195		217
<b>Change in provision for run-off expenses</b>	7		416		376
<b>Net operating expenses</b>	8		(410)		(421)
<b>Balance on the Technical Account – General Business</b>			201		172



# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## INCOME AND EXPENDITURE ACCOUNT (CONTINUED)

For the year ended 30 June 2021

### Non-Technical Account:

Amount in £'000	Notes	2021	2021	2020	2020
Balance on the technical account – general business			201		172
Investment income	9	223		157	
Investment expenses and charges	10	(6)		(5)	
Unrealised gain/(loss) on investments	11	354		(215)	
			571		(63)
<b>Surplus before tax</b>			772		109
Tax charge	16		(34)		(32)
<b>Surplus for the financial year</b>			738		77

HAPM's income and expenses all relate to HAPM's activities as an insurer. HAPM ceased underwriting from 21 May 2002. All amounts derive from discontinued operations.

HAPM has no recognised gains or losses other than those shown in the Income and Expenditure account for the current year and preceding year and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying notes 1 to 21 form an integral part of these Financial Statements.

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### RECONCILIATION OF MOVEMENTS IN OTHER RESERVES

For the year ended 30 June 2021

Amount in £'000	Note	2021	2020
Surplus for the financial year		738	77
Reserves brought forward		14,194	14,117
<b>Surplus on reserves carried forward</b>	<b>13</b>	<b>14,932</b>	<b>14,194</b>

The accompanying notes 1 to 21 form an integral part of these Financial Statements.

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## BALANCE SHEET

As at 30 June 2021

Amount in £'000	Notes	2021	2021	2020	2020
<b>ASSETS</b>					
<b>Investments:</b>					
Other financial investments	14		18,260		18,125
<b>Debtors:</b>					
Debtors arising out of direct insurance operations	15		-		-
<b>Other Assets:</b>					
Cash at bank and in hand			19		8
<b>Prepayments and accrued income:</b>					
Accrued interest		24		42	
Other prepayments		2		3	
			26		45
<b>Total Assets</b>					
			18,305		18,178

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## BALANCE SHEET (CONTINUED)

As at 30 June 2021

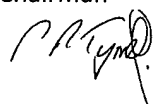
Amount in £'000	Notes	2021	2021	2020	2020
<b>LIABILITIES</b>					
<b>Reserves:</b>					
Surplus on reserves	13		14,932		14,194
<b>Technical provisions:</b>					
Claims outstanding	6	1,578		1,773	
Provision for future reinsurance costs	6	-		-	
Provision for future run-off expenses	7	1,695		2,110	
			3,273		3,883
<b>Creditors:</b>					
Other creditors including taxation	17	34		42	
			34		42
<b>Accruals</b>	<b>18</b>		<b>66</b>		<b>59</b>
<b>Total Liabilities</b>					
			18,305		18,178

The accompanying notes 1 to 21 form an integral part of these Financial Statements.

The Financial Statements of HAPM Ltd (registered number 01985799) were approved by the Board of Directors and authorised for issue on 10 September 2021. They were signed on its behalf by:



R. Hingston  
Chairman



P. Tyrrell  
Deputy Chairman

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## CASH FLOW STATEMENT

For the year ended 30 June 2021

Amount in £'000	2021	2020
<b>Reconciliation of surplus before tax to net cash outflow from operating activities:</b>		
Surplus before tax	772	109
Unrealised (gain)/loss on investments	(354)	215
Realised (gain)/loss on investments	(12)	115
(Increase)/decrease in debtors and prepayments	19	58
Increase/(decrease) in creditors and accruals	7	(7)
Increase/(decrease) in technical provisions	(195)	(217)
Increase/(decrease) in run-off provisions	(415)	(376)
<b>Cash inflow/(outflow) from operating activities</b>	<b>(178)</b>	<b>(103)</b>
Corporation tax paid	(42)	(33)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(220)</b>	<b>(136)</b>
<b>Cash flows from investment activities:</b>		
Purchase of investments	(37,638)	(30,242)
Sale of investments	37,869	30,361
<b>Net cash inflow/(outflow) from investment activities</b>	<b>231</b>	<b>119</b>
Net increase/(decrease) in cash	11	(17)
Cash at the beginning of year	8	25
<b>Cash at the end of the year</b>	<b>19</b>	<b>8</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Constitution

HAPM is registered in England and Wales as a Company limited by guarantee and not having a share capital. The address of the registered office is given on the end page of this annual report. It is authorised to conduct insurance business on the mutual principle and there is, accordingly, no profit and loss account.

In pursuance of its business and in accordance with its Memorandum and Articles of Association and its rules, HAPM has the right to make unlimited calls on its members to meet its liabilities. No specific provision is made in the accounts for any such calls unless and until the Directors shall have decided that any such calls shall be made. The Directors acknowledge that the going concern status of HAPM is dependent upon the ability of its members to meet any future calls.

The Other Reserves are the excess/ (deficit) of assets compared to liabilities. Any ultimate shortfall in these reserves may be offset by further calls upon the membership in respect of the relevant open policy years in accordance with the Rules of HAPM. Any ultimate surplus in the funds is similarly required to be treated in accordance with the relevant provisions in the Rules of HAPM.

In the event of the winding up of HAPM, after its liabilities have been satisfied, the remaining assets of HAPM shall be distributed to the members as set out in the Articles of Association.

### 2. Accounting policies

#### 2.1 Statement of compliance and basis of preparation

The Financial Statements have been prepared in accordance with the provisions of Section 396 of the Companies Act 2006, and Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and amended for compliance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council.

#### 2.2 Policy year accounting

All business is accounted for on an annual basis. Premiums, instalment interest, reinsurance premiums, claims and reinsurance recoveries are allocated to the year in which the major defects insurance cover incepts, along with associated expenses, but are accounted for in the financial year in which they are incurred.

The investment income is allocated proportionately to the average balance of funds available on each open policy year and other funds at annual intervals.

The administrative expenses are allocated to the policy year, which benefits from the expenditure.

All accounting policies have been applied consistently in the current and prior year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Accounting policies (continued)**

**2.3 Premiums**

Registration premiums are credited to the Income and Expenditure Account on receipt of the registration application. The basic premiums are credited to the Income and Expenditure Account on completion of the property.

Basic premiums are payable half on inception and the balance may be settled over a period not exceeding 20 years subject to an appropriate interest charge.

The premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting period together with any adjustments arising for prior accounting periods. The policies provide cover for a period of up to twenty years.

All the premiums are treated as earned because the cover is for inherent structural defects, which, by definition, exist at the inception of the cover.

**2.4 Claims**

Claims include all claims incurred during the accounting period whether paid or estimated. This includes the expected ultimate cost of settlement of all claims incurred in respect of events up to the balance sheet date, whether reported or not, together with the related claims handling expense.

Claims outstanding includes estimates relating to the future claims on all the policies incepting before the balance sheet date. The incidence of risk is deemed to occur at the date of completion of the property and therefore the outstanding claims provision includes the expected cost of future claims and costs emanating from all policies included in the Financial Statements.

**2.5 Reinsurance**

Reinsurance premiums payable are charged to the Technical Account when the major defects cover is charged to the member. The future costs of reinsurance premium from the expiry of the current cover to the 20th year are estimated and a provision made in the Technical Account.

Reinsurance recoveries, including receipts and amounts due under current and future policies, are included in the Technical Account.

**2.6 Income from investments**

Income from investments comprising interest on bonds and bank deposits is accounted for on an accruals basis. The distributions from unit trusts are accounted for when advised by the unit trust managers.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Accounting policies (continued)**

**2.7 Taxation**

Current tax is provided at amounts to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between HAPM's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax returns in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that to be recovered. Deferred tax assets and liabilities are not discounted.

**2.8 Investments**

Investments are shown at market value. All investment return, including unrealised gains or losses, is recognised in the Non-Technical Account. Unrealised gains or losses represent the difference between the value of investments at the balance sheet date and their purchase price. The movement in the unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of the investments held at the balance sheet date together with the reversal of previously recognised gains and losses on investments disposed of in the current year.

**2.9 Going Concern**

After making enquiries, the Directors have a reasonable expectation that HAPM has adequate resources to continue operations for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

HAPM's activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Directors' Report also describes the financial position of HAPM; its cash flows, liquidity position; the HAPM's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. As explained in further detail in the Strategic Report, Covid-19 is not expected to have a material adverse impact on the Company's financial position, liquidity or operations.

**3. Critical accounting estimates and judgements**

HAPM makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The following critical accounting estimates are made by HAPM:



# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Critical accounting estimates and judgements (continued)

#### 3.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is HAPM's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that HAPM will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period.

#### 3.2 Fair value estimations

In accordance with section 11 of FRS 102, as a financial institution, HAPM applies the requirements of paragraph 11.27 of FRS 102. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, price) or indirectly (that is, derived from prices).

Level 3 – Inputs for the assets that are not based on observable market data (that is, unobservable inputs).

The table below presents HAPM's assets measured at fair value by level of the fair value hierarchy:

As at 30 June 2021				
Amounts in £'000	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Fixed interest - Government	-	14,978	-	14,978
Equities & Alternatives	2,689	-	-	2,689
Cash & cash equivalents	593	-	-	593
	3,282	14,978	-	18,260

As at 30 June 2020				
Amounts in £'000	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Fixed interest - Government	-	12,423	-	12,423
Equities & Alternatives	2,663	-	-	2,663
Cash & cash equivalents	3,039	-	-	3,039
	5,702	12,423	-	18,125

The fair values of financial assets included in the level 2 category have been independently valued by BNYM based on observable market conditions prevailing at the valuation date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Management of Risk**

HAPM is governed by the Board of Directors, which drives decision making within HAPM from Board level through to operational decision making within the Managers. The Board considers the type and scale of risk that HAPM is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision-making.

HAPM is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which HAPM is exposed through its core activity as a provider of insurance services, and the broader range of risks. HAPM's key risks are the following:

- 4.1 Insurance risk – incorporating underwriting and reserving risk;
- 4.2 Market risk – incorporating investment risk, and interest rate risk;
- 4.3 Credit risk –the risk that a counterparty is unable to pay amounts in full when due;
- 4.4 Liquidity risk –the risk that cash may not be available to pay obligations as they fall due;  
and
- 4.5 Operational risk –the risk of failure of internal processes or controls.

**4.1 Insurance Risk**

HAPM's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on HAPM from a Member. The risk is managed by the underwriting process, acquisition of reinsurance cover, and the management of claims costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.1 Insurance Risk (continued)

Underwriting process

HAPM ceased underwriting from 21 May 2002 with all amounts shown derived from discontinued operations.

Reinsurance

HAPM's reinsurance programme is designed to manage risk to an acceptable level and to optimise HAPM's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, and additional fees break out cover.

The risk of HAPM's reinsurers being unable to meet their obligations is presented in section 4.3 on Credit Risk.

Reserving process

HAPM establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as set out in Note 2 of the Financial Statements as directed and reviewed by the Audit and Risk Committee. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by senior members of HAPM Management Company.

HAPM considers that the liability for insurance claims recognised on the balance sheet is adequate. However, actual experience will differ from the expected outcome.

The results of sensitivity testing are set out below, showing the impact on the surplus before tax and equity, gross and net of reinsurance. The impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	2021	2020
	£	£
Increase in loss ratio by 5 percentage points		
Gross	9,748	10,872
Net	9,748	10,872

A 5 per cent decrease in loss ratios would have an equal and opposite effect.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Management of Risk (continued)**

**4.2 Market Risk**

Market risk is the risk of adverse financial impact because of market movements such as currency exchange rates, interest rates and price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The investment policy is formally reviewed every three years (but more frequently if required). The policy reflects the risk appetite of HAPM and is designed to hold the risk to a level deemed acceptable while maximising return.

The Investment Strategy is formally reviewed annually and sets the parameters within which the Investment Manager must operate in investing the portfolio in order to meet the investment objectives set by the Board.

**Interest rate risk management**

Interest rate risk arises primarily from investments in fixed interest securities the value of which is inversely correlated to movements in market interest rates.

Interest rate risk is managed through the investment strategy and accordingly debt, fixed interest securities are predominantly invested in high quality corporate, and government backed bonds.

**Interest rate sensitivity analysis**

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged will result in a £150k fall in the value of HAPM's investments. A decrease of 100 basis points would have an equal and opposite effect.

**Equity price risk**

HAPM is exposed to price risk through its holding of equities as financial investments at fair value through profit and loss. At the year end the holding in equity instruments amounted to 14.70% of the investment portfolio (2020: 14.66%).

A 1% increase in equity values would be estimated to have increased the surplus before tax at the year-end by £27k. A 1% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Management of Risk (continued)**

**4.3 Credit Risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to HAPM.

The key areas where HAPM is exposed to credit risk are:

- Amounts due from members; and
- Counterparty risk with respect to cash and investments.

**Amounts due from Members**

Amounts due from Members represent premium owing to HAPM in respect of insurance business written. The risk of Member default is managed by the option of cancelling a Members policy in the event of claim arising.

**Counterparty risk with respect to cash and investments**

HAPM's primary investment objective is to preserve capital to maintain solvency and pay future claims and expenses. The secondary objective is to maximise the longer-term investment return.

The Investment Manager will maintain a mix of pooled sterling UCITS cash funds and sterling bond investments and undertake the necessary transactions to meet previously agreed benchmark targets. The desired split between cash, bonds and equities will be determined from time to time by the Investment Manager in consultation with the Board. Equity exposure will be through unit trusts and/or Exchange Traded Funds (ETFs) managed by external fund managers.

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of Risk (continued)

#### 4.3 Credit Risk (continued)

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings.

##### As at 30 June 2021

Amount in £'000	AAA/AA	A	BBB or less / not rated	Total
Fixed interest-Government	6,979	-	7,999	14,978
Equities	-	-	2,689	2,689
Cash & cash equivalents	-	-	593	593
Total assets subject to credit risk	14,978	-	3,282	18,260

##### As at 30 June 2020

Amount in £'000	AAA/AA	A	BBB or less / not rated	Total
Fixed interest-Government	12,423	-	-	12,423
Equities	-	-	2,663	2,663
Cash & Cash equivalents	-	-	3,039	3,039
Total assets subject to credit risk	12,423	-	5,702	18,125

There were no past due or impaired assets at 30 June 2021 (2020: Nil).

#### 4.4 Liquidity Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. HAPM maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 30 June 2021, HAPM's short term deposits (including cash and UCITs) amounted to £613k (2020: £3.047m). HAPM has sufficient liquid assets to meet its liabilities as they fall due.

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of Risk (continued)

#### 4.4 Liquidity Risk (continued)

The tables below provide a maturity analysis of HAPM's financial assets:

<b>As at 30 June 2021</b>					
<b>Amount in £'000</b>	<b>Short term assets</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
Fixed interest-Government	-	9,006	2,535	3,437	14,978
Equities	2,689	-	-	-	2,689
UCITS	593	-	-	-	593
<b>Total Assets</b>	<b>3,282</b>	<b>9,006</b>	<b>2,535</b>	<b>3,437</b>	<b>18,260</b>

<b>As at 30 June 2020</b>					
<b>Amount in £'000</b>	<b>Short term assets</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
Fixed interest-Government	-	2,996	-	9,427	12,423
Equities	2,663	-	-	-	2,663
UCITS	3,039	-	-	-	3,039
<b>Total Assets</b>	<b>5,702</b>	<b>2,996</b>	<b>-</b>	<b>9,427</b>	<b>18,125</b>

#### 4.5 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks HAPM has engaged HAPM Management Company as Managers to document all key processes and controls in a procedures manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function, which is directed and reviewed by the Board of Directors. A human resource manual including all key policies has also been documented.

The sensitivity analysis in note 4 shows the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors, which would potentially have a significant impact on the effects noted in note 4.

HAPM maintains capital, comprising policyholders' funds (surplus and reserves), consistent with HAPM's risk appetite and the regulatory requirements.

HAPM's objective is to hold free reserves at a safe margin in excess of the solvency capital requirement and to ensure it is able to continue as a going concern.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. Management of Risk (continued)

## 4.5 Operational risk (continued)

At year-end capital resources under the current Solvency I regime of £14.932m exceed HAPM's regulatory capital requirement of £235k by £14.697m.

HAPM was not expected to comply with capital requirements set out in Solvency II, the new regulatory regime.

## 5. Reinsurance premiums

HAPM was contracted to purchase reinsurance cover for major defects up to the twentieth year which was payable at ten-year intervals. All instalments have been satisfied with no further payments due. The actual outward reinsurance premium, therefore, comprises the costs to date for all units debited and a provision for the future estimated costs of reinsurance of purchasing cover for major defects. These future costs are no longer discounted to present value in line with the provision for outstanding claims.

## 6. Claims and technical provisions

Claims incurred in the year are made up as follows:

Amounts in £'000	2021	2020
Release in claims reserves	195	217

## Technical provisions

Claims charged to the technical account include quantified claims and a provision for incurred but not reported claims:

Amounts in £'000	Claims Outstanding	Future Reinsurance	Total
	2021	2021	2021
<b>Gross and net</b>			
At beginning of year	(1,773)	-	(1,773)
Movement in provision	195	-	195
At end of year	(1,578)	-	(1,578)



# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Claims and technical provisions (continued)

Amounts in £'000	Claims Outstanding	Future Reinsurance	Total
	2020	2020	2020
<b>Gross and net</b>			
At beginning of year	(1,990)	-	(1,990)
Movement in provision	217	-	217
At end of year	(1,773)	-	(1,773)

The future costs of claims are no longer discounted to present value using a discount rate. The undiscounted gross claims provision before inflation is the same as the discounted gross claims provision at £1.578m (2020: £1.773m).

There is no further provision for outward reinsurance premium (2020: Nil) or accruals within creditor relating to reinsurance operations in the balance sheet.

### Claims development tables

HAPM ceased to write business in July 2002. Since that date, the business has been in run-off.

Amounts in £'000	As at 2013	As at 2014	As at 2015	As at 2016	As at 2017	As at 2018	As at 2019	As at 2020	As at 2021
2005 and prior years									
Total Gross/Net Insurance Liabilities	6,202	5,737	4,602	3,571	2,622	2,286	1,990	1,773	1,578

### 7. Provision for run-off expenses

The provision will cover the costs of settling claims, collecting premiums of HAPM until all the policies have expired, and all the claims have been settled. The provision has been discounted to present value using the discount rate of 0.75% (2020: 0.75%). The undiscounted value is £1.720m (2020: £2.150m).

Amounts in £'000	2021	2020
Discounted value brought forward	2,110	2,486
Decrease in run-off expense reserve	(416)	(376)
Value carried forward	1,695	2,110

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Net operating expenses

Net operating expenses are made up as follows:

Amounts in £'000	2021	2020
Administrative costs	350	350
Directors' meeting costs	2	11
Directors' and Officers' liability insurance	5	6
Auditor's remuneration - audit of the Financial Statements	31	30
Auditor's remuneration - audit of the regulatory returns	12	12
Non audit fee - tax compliance services	6	8
Other - tax compliance services	2	2
Other administrative expenses	2	2
<b>Net Operating Expenses</b>	<b>410</b>	<b>421</b>

No loans have been made to the managers, nor are any contemplated. HAPM had no employees throughout the year, or the preceding year.

There were no Directors' emoluments paid or payable in respect of services to HAPM during the current or preceding year.

### 9. Investment income

Amounts in £'000	2021	2020
Bank deposit interest	1	10
Interest on debt securities	210	262
Gain/(loss) on sale of investments	12	(115)
	<b>223</b>	<b>157</b>

### 10. Investment expenses and charges

Amounts in £'000	2021	2020
Investment management expenses	(6)	(5)

## HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 11. Unrealised gain/ (loss) on investments

Amounts in £'000	2021	2020
Debt securities and other fixed expenses	(68)	88
Unit trusts	422	(303)
Total unrealised gain/(loss)	354	(215)

#### 12. Directors' interests and related party disclosures

HAPM has no share capital and is controlled by the members who are also the insured. The subsequent insurance transactions are consequently deemed to be between related parties but these are the only transactions between HAPM and the members.

All of the Directors are or were representatives or agents of member housing associations and other than the insurance and membership interests of the Directors' housing associations, the Directors have no financial interests in HAPM.

All the Directors are Members of HAPM other than the Chief Financial officer who is employed by Thomas Miller, Managers of H.A.P.M Management Company. Other than their own insurance the Directors have, no financial interests in HAPM the Member Directors received no remuneration for their services to HAPM.

H.A.P.M Management Company received £350,000 (2020: £350,000) from HAPM in respect of management fees for the year.

#### 13. Surplus on reserves

This represents a surplus of £14.932m (2020: £14.194m) of assets over the liabilities. Any surplus will be transferred to the reserves, whereas any deficit will be made up by additional supplementary calls on members (see note 20).

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Other financial investments

Amounts in £'000	Market Value	Market Value	Cost	Cost
Other financial investments comprise:	2021	2020	2021	2020
Units in unit trusts	3,196	5,605	3,015	5,847
Debt securities and other fixed interest securities	14,978	12,423	15,027	12,404
Cash and deposits	86	97	86	97
	18,260	18,125	18,128	18,348
Units in unit trusts comprise:				
Unit trusts	2,689	2,663	2,508	2,905
UCITS	507	2,942	507	2,942
	3,196	5,605	3,015	5,847

All investment in unit trusts is in authorised unit trusts. Debt securities and other fixed income securities are all listed on a recognised stock exchange. "Undertakings for Collective Investment in Transferable Securities" (UCITS) are funds held for the short term.

### 15. Debtors arising out of direct insurance operations

There are no further balances due from members (2020: Nil).

### 16. Taxation

- (i) By virtue of its mutual status, the Fund is not liable to tax on its insurance operations. However, it is liable to tax on its instalment interest, investment income and net gains. The charge in the income and expenditure account represents:

Amounts in £'000	2021	2020
<b>Income and expenditure account:</b>		
<b>Current tax</b>		
UK taxation at 19% (2020: 19%)	10	42
Adjustment in respect of previous periods	-	-
	10	42
<b>Deferred tax</b>		
Timing differences, origination and reversal	24	(10)
<b>Total tax on surplus on ordinary activities</b>	<b>34</b>	<b>32</b>

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Taxation (continued)

- (ii) The tax assessed for the period differs from the standard rate of corporation tax in the UK: 19% (2020: 19%). The differences are explained below:

Amounts in £'000	2021	2020
Surplus on ordinary activities before tax	772	109
Tax at 19% (2019: 19%) thereon:	147	21
Effects of:		
Non-taxable mutual insurance operations	(59)	(33)
Non-taxable investment income	(80)	54
Chargeable gains	2	-
Unrealised movements on investments	24	(10)
Current tax charge for the period	34	32

The non-taxable investment income relates to dividends from equities, which are not subject to Corporation tax.

### (iii) Balance Sheet

#### Taxation creditor

Amounts in £'000	2021	2020
United Kingdom corporation tax	10	42

#### Provisions for taxation - deferred taxation

Amounts in £'000	2021	2020
Reconciliation of movement:		
Opening balance asset/(liability)	-	(10)
Credit/(charge) movement in year	(24)	10
Closing balance asset/(liability)	(24)	-
Amounts in £'000	2021	2020
Analysis of deferred tax liability:		
Unrealised losses/(gains) on equities	(24)	-

# HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. Other creditors including taxation

Amounts in £'000	2021	2020
Corporation tax payable	34	42

### 18. Accruals

Amounts in £'000	2021	2020
Accrued expenses	66	59

### 19. Segmental Information

All the business underwritten by HAPM is general insurance written for providers of social housing in the United Kingdom.

### 20. Supplementary Call

HAPM retains the power to make future supplementary calls if required.

### 21. Controlling Party

HAPM is a mutual limited by guarantee of its members. The Directors do not believe that any one member of the mutual exercises control and consequently HAPM does not have an ultimate controlling party.

## **HOUSING ASSOCIATION PROPERTY MUTUAL LIMITED**

### **MANAGERS AND OFFICERS**

H.A.P.M. Management Company Limited

#### **Directors**

R A A Harnal  
B M Kesterton

#### **Secretary**

K. Halpenny

Registered in England and Wales No.2448927

#### **Registered Office**

90 Fenchurch Street  
London  
EC3M 4ST

Telephone: 020 7283 4646

### **COMPANY INFORMATION**

Housing Association Property Mutual Limited (HAPM)

Registered in England and Wales No.01985799

#### **Registered Office**

90 Fenchurch Street  
London EC3M 4ST

### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London  
EC4A 3HQ  
United Kingdom