Report and Financial Statements

Jigsaw Homes Group Limited

(Formerly Adactus Housing Group Limited)

For the year ended 31 March 2018

Company information

Registration number	29433R
Registered office	Cavendish 249 Cavendish Street Ashton-under-Lyne Tameside OL6 7AT
Board members	F. Selvan (chair, appointed April 2018) J. Clayton (vice chair, chair until April 2018) D. Addy (appointed April 2018) G. Brown (appointed April 2018) P. Chisnell (executive member) E. Clivery M. Dunford (appointed April 2018) B. Groarke (appointed April 2018) R. O'Connell (appointed April 2018) T. Powell (appointed April 2018) H. Roberts (executive member) A. Cain (resigned April 2018) L. Garsden (resigned April 2018) P. Lees (resigned April 2018) E. Mellor (resigned September 2017)
Senior management team	H. Roberts: Group Chief Executive B. Moran: Company Secretary and Deputy Chief Executive P. Chisnell: Executive Director of Finance A. Marshall: Group Director of Asset Management K. Marshall: Group Director of Development
Company Secretary	B. Moran
Bankers	National Westminster Bank Plc. Manchester City Centre Branch PO Box 305 Spring Gardens Manchester M60 2DB
Auditors	BDO LLP 3 Hardman Street Manchester M3 3AT

Contents

Miles Platting Birthday Time Capsule, April 2017

Buried in 2017 - to be opened in 100 years!

Chair's statement

On behalf of the Board of Management, I am very pleased to present the Report and Financial Statements for Adactus Housing Group Limited for the 2017/18 financial year.

Merger completion

Last year, my predecessor reported that discussions to merge with New Charter Housing Trust had progressed well and were expected to conclude by 31 March 2018. In actuality the merger, by way of a transfer of engagements, completed on 3 April 2018 a few days after the close of the financial year. At this point, I was honoured to be appointed as the new Chair. I would like to place on record my thanks to Jane Clayton for her prior service in this role and for her dedicated stewardship since 2016.

The name of our new organisation is Jigsaw Homes Group Limited. The name 'Jigsaw' reflects the breadth of our services and our belief that only through the provision of housing, care services and neighbourhood investment together can we provide the 'full picture' to help people to "live successfully in homes they can afford" — the new Vision for our organisation.

The formation of Jigsaw marks an incredibly exciting time and presents us with an opportunity to make a greater and more positive impact in the areas in which we work. Jigsaw Homes Group is now the 14th largest group of housing associations in the country[1]

Moving forward, together we will focus on the delivery of the promise of our business case for merger which envisages an increase in overall surpluses, the development of more housing, and greater scope to develop the range and breadth of our services.

As the new Chair, I am joined on the board by a strong team of executive and non-executive board members.

I have been pleased by how quickly our new team has gelled. Together we will be committed to the highest standards of governance and I believe we can help nurture a really special organisation.

Fire safety

One year on, as a sector — indeed as a nation — we continue to be shocked by the tragic fire at Grenfell Tower in June 2017. Phase 1 of the Public Inquiry which will focus on establishing the facts of the fire is due to conclude at the end of December 2018. The full implications of the tragedy are therefore not yet established. I am sure however that the inquiry will uncover wider points relating to the maintenance of buildings and possibly to the management of tenancies. I expect that recommendations will extend far beyond the use of particular cladding systems which have already been clearly identified as a significant contributing factor to the tragedy.

We will monitor the progress of the inquiry and we will be responsive to its findings.

Performance highlights

This Report and Financial Statements demonstrates that during 2017/18, Adactus Housing Group Limited continued to perform at the very highest level. In particular I would draw your attention to the VFM statement on pages 10 to 21, from which I would like to highlight the following key points:

- Retained surplus grew to a historic high of £18.7m despite rent decreases during the year.
- The Group delivered 763 units of new affordable housing in the year with funding in place to deliver a further 1,344 units.
- 1,245 existing properties were relet during the year, providing much-needed affordable housing for our new tenants and their families.
- High customer satisfaction was achieved with a Net Promoter Score of 45 recorded for the year.
- 141 community projects were supported through funding of £224,688.

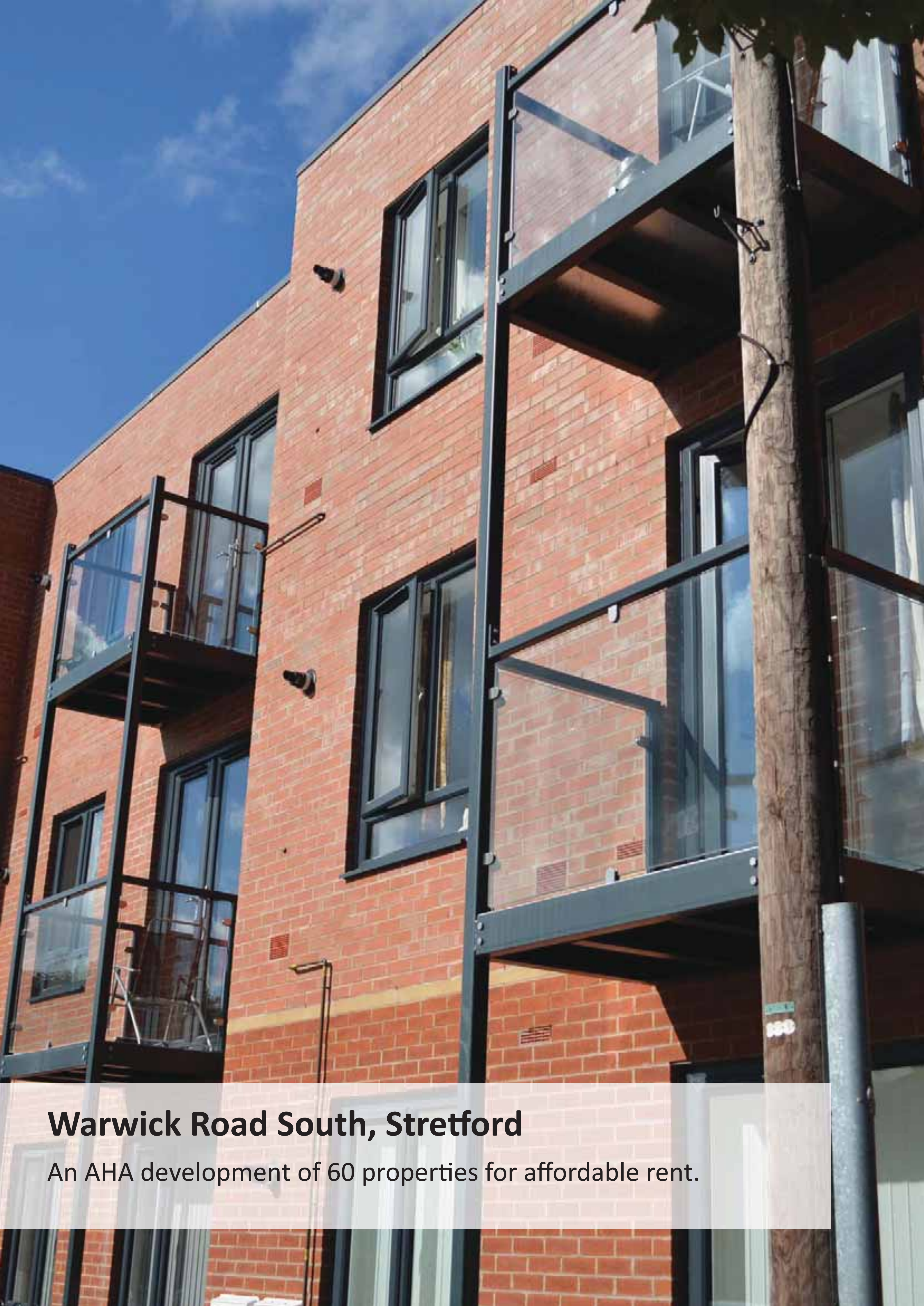
These results are of great credit to the executive, management and staff having been achieved at a time when efforts were also focused on the progress of merger with New Charter Housing Trust. I would like to extend the appreciation of the Board and my own thanks for their efforts during the year.

I look forward to new beginnings and continued success in 2018/19.

Fay Selvan

Group Chair

[1] As measured by homes in management, *Global Accounts 2017*, Homes and Communities Agency, legacy stock holdings of Adactus Housing Group and New Charter Housing Trust are consolidated.



Warwick Road South, Stretford

An AHA development of 60 properties for affordable rent.

Strategic report

Business and financial review

The Board is pleased to present its Report together with the audited Financial Statements of Jigsaw Homes Group Limited (the Association) for the year ended 31 March 2018.

At 31 March 2018, the Association was a member of the Adactus Group Structure (the Group), of which Adactus Housing Group Limited was the parent company. Figure 1a on the following page provides an overview of the Group.

On 3 April 2018, the Association received a transfer of engagements from New Charter Housing Trust Limited and changed its name to Jigsaw Homes Group Limited (Jigsaw). See Note 29 for further details.

Accordingly, this Report and Financial Statements solely relate to the activities of Adactus Housing Group Limited prior to merger. The reader is advised that the other entities that subsequently joined Jigsaw are reported within the Report and Financial Statements for New Charter Housing Trust Limited. Throughout this Report and Financial Statements the entity is referred to as Adactus Housing Group Limited, or AHG.

Legal status

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH)[2] as a Private Registered Provider of Social Housing. The registered office is Cavendish 249, Cavendish Street, Ashton-under-Lyne, Tameside, OL6 7AT.

Principal activities

The members of the Group build, renovate and manage affordable housing for rent and sale and work to help regenerate neighbourhoods.

The Group's principal subsidiaries are housing associations, legally known as Private Registered Providers, and regulated by the RSH.

The Adactus Housing Group was formed in August 2002 although founder member, Adactus Housing Association's corporate origin was in 1964. The Group's main offices are in Leigh, Chorley and Manchester. The major organisations in the Group are four independent Co-operative and Community Benefit Societies:

- Adactus Housing Group Ltd (the non-charitable parent, AHG).
- Adactus Housing Association Ltd (charitable, AHA).
- Beech Housing Association Ltd (non-charitable, BHA).
- Chorley Community Housing Ltd (charitable, CCH).

Together the Adactus Housing Group owns and manages 14,227 homes across 22 local authority areas in the north-west of England. During the year ended 31 March 2018 the Group employed 517 full-time equivalent staff and had an annual turnover of £76.6m.

The Group is the 78th largest manager of housing association accommodation in England[3].

Figure 1b on the next page highlights the geographic spread of properties managed by the Group.

Objectives and strategy

The members of the Adactus Housing Group share similar Objects within their Company Rules which state that the Group's members will:

> "Carry on for the benefit of the community the business of providing housing, accommodation, and assistance to help house people and associated facilities and amenities"

This is the basis of the Group's Mission:

> "To build, acquire and manage safe, warm and affordable housing predominately for those who are unable to pay market rates."
>
> "To respond effectively to the demands of our customers."
>
> "To make a difference in neighbourhoods by levering in resources and helping to focus community activity."

[2] See: https://www.gov.uk/guidance/about-the-regulator-of-social-housing

[3] Source: 2017 Global accounts of Housing Providers, HCA

(a) Group structure.

(b) Location of stock in management.

Figure 1: Overview

Figure 2: Vision.

The Group's long-term vision is framed by efforts to achieve Quality, Expansion and Diversity (QED) through its activities.

Figure 2 on this page highlights how each aspect of the Group's vision is interlinked. For example, quality is raised through an appreciation of the diversity of customer needs and through effective investment of the efficiency savings afforded by expansion.

The vision of QED provides the framework for the Group's strategic objectives shown in Table 1.

Vision	Objective
Quality	Q1. Maintain effective governance
	Q2. Provide Value for Money customer services
Expansion	E1. Increase the size of the business
Diversity	D1. Provide targeted neighbourhood investment

Table 1: Strategic Objectives & QED

Creation of Jigsaw Homes Group Limited

During the year, merger discussions with New Charter Housing Trust continued to advance to the point that in June 2017, the boards of both Adactus and New Charter approved a business case for merger.

Subsequent due diligence work identified no material issues and following necessary legal work, consents and approvals, the merger by way of a receipt of a transfer of engagements was completed on 3rd April 2018.

This represents a step-change for both legacy organisations in terms of their strategic impact and their ability to derive greater value from their combined asset bases, skills and expertise.

The anticipated outcomes of the business case for merger are highlighted below:

Anticipated Outcomes of Merger

- A common strong social purpose with aligned vision and values extending beyond housing.
- Stronger services aligned to the needs of tenants and customers.
- An organisation with a highly engaged, motivated and skilled workforce.
- A step-change in influence and strategic impact within current areas of operation and nationally.
- Well-placed to make the most of opportunities arising from devolution, particularly in a Greater Manchester context.
- Adoption of best practice approaches to service delivery from two award-winning organisations.
- Savings of at least £3m per annum achieved within three years.
- Savings of at least £10m per annum achieved within five years.
- Additional capacity to respond to risks and opportunities arising in an uncertain environment.
- Additional capacity from efficiency savings to provide at least 130 additional new homes every year, with further capacity being generated following a future refinancing.
- Additional capacity to regenerate and invest in communities.

- A commitment to place-based working where the organisation can make a significant impact.
- An organisation with a strong community focus.

Performance highlights

A summary of the Group's recent financial results are shown in Table 2 on page 10.

The Board is pleased to report total comprehensive income in the year of £18.7m (2017: £17.2m).

The total comprehensive income increased year-on-year by 8.2% and amounted to 24.4% of turnover.

Operating surplus has increased to 42% of turnover (2017: 40.6%). Operating expenditure per total housing units was £2,684 in comparison to £2,738 in 2017.

The Board uses a balanced scorecard approach to monitor the delivery of the Group's strategic objectives across a broad range of Key Performance Indicators (KPIs). Figure 3 on the following page presents the scorecard reviewed by Board at the end of the financial year. The diagram shows that 22 of the Group's 25 KPIs were within target and three were outside of target at the year end.

Overall, the Board is pleased with performance.

Highlights of the Group's financial position are shown in Table 3 on page 10.

Strategic risks and uncertainties

Figure 4 on the following page presents an assessment of the key operational risks that could affect the delivery of Corporate Objectives.

The key inherent risks facing the business are listed below:

Key inherent risks

- Ineffective safeguarding of staff, customers and third parties.
- Control failure leads to death or injury from fire.
- Control failure leads to death or injury from gas.
- Control failure leads to death or injury (staff/3rd party).
- Cyber disruption to systems.
- Breach of data regulations.
- Poor asset management information.

Once controls are applied to mitigate the likelihood or impact of risks, the residual assessment of all risks fall within the acceptable levels defined in the Group's Risk Management Strategy.

In accordance with the Group's Risk Management Strategy, the risk map is reviewed quarterly by the Group's executive, by the Risk & Audit Committee and by the Board.

Capital structure and treasury policy

The Group repaid £13.7m (2017: £9m) during the year in line with agreed debt repayment profiles. £39.6m (2017: £28.5m) of loan finance was drawn-down during the year. At the year-end borrowings amounted to £304m (2017: £278m), maturing as outlined in the notes to the Financial Statements on page 59.

The Group currently borrows from a variety of lenders at both fixed and floating rates of interest. The Group's Treasury Management Strategy targets the level of fixed rates of interest to be up to 100% of its loan portfolio. At the year-end 81% (2017: 83%) of the Group's borrowings were at fixed rates between 2.1% and 10.9% with an average borrowing rate of 4.6%. Further details on the profile of borrowings are outlined in the notes to the Financial Statements on page 59.

The Group has no exposure to derivative-based hedging structures.

The Group's lending agreements require compliance with a number of financial and non-financial covenants. The compliance to such covenants is monitored on a monthly basis and reported to Board each quarter. The Group was compliant throughout 2017/18 and remains compliant with all loan covenants.

The Group has a clear focus on cash collection and monitors cash-flow forecasts closely and regularly to ensure it has sufficient funds to meet its business objectives, pay liabilities when they fall due and ensure adequate liquidity with respect to emerging risks.

With respect to short term liquidity, at the year-end the Group had access to £44.6m (2017: £45.4m) of cash balances and investment balances and in excess of £83.5m (2017: £41m) of undrawn committed bank facilities.

The area of each rectangle is proportional to the importance of the KPI, lighter shading indicates out of target performance.

Figure 3: KPI performance at 31 March 2018.

The area of each rectangle is proportional to the assessment of Inherent Risk, darker shading indicates higher Residual Risk.

Figure 4: Risk analysis.

Year	Turnover	Operating expenditure	Operating surplus	Total comp. income	Total comp. income
	£'000	£'000	%	£'000	%
2014	55,793	34,894	37	13,259	24
2015	66,180	36,421	38	16,655	25
2016	71,175	38,218	37	15,812	22
2017	74,058	37,127	41	17,240	23
2018	**76,583**	**38,186**	**42**	**18,660**	**24**

The above figures are extracted from previous Financial Statements based on accounting standards effective at those dates.

Table 2: Five-year financial performance

Year	2018	2017	2016	2015	2014
Housing properties at cost	682,204	632,190	577,528	530,635	489,189
Social housing and other grant	-	-	-	-	241,102
Properties for sale	3,280	1,208	2,147	5,289	3,024
Investments	1,284	1,437	2,506	12,953	-
Cash at bank and short-term deposits	43,331	43,997	47,685	26,257	12,690
Creditors amounts falling due within one year	34,373	29,897	24,991	19,415	32,342
Net current assets / (liabilities)	22,182	28,289	35,314	31,889	(12,382)
Total assets less current liabilities	642,469	605,364	563,123	517,986	218,381
Creditors amounts falling due after more than one year	525,883	507,167	483,488	453,195	162,349
Capital and reserves	113,868	95,209	77,969	62,157	51,946

The above figures are extracted from previous Financial Statements based on accounting standards effective at those dates.

Table 3: Consolidated financial position.

The Group's cash and investment funds decreased by £0.8m in the year (2017: decreased by £4.8m).

Additional funding of £84m was secured in the summer of 2017 by group member AHA. Consequently the Group's business plan is fully funded to 2020.

Group VFM statement

Value for money (VFM) can be defined as the 'optimal use of resources to achieve the intended outcomes.'[4]

For members of the Adactus Housing Group, efforts to achieve VFM are focused on curating a portfolio of productive housing assets and managing them well to deliver the following core organisational objectives:

- Q1. Maintain effective governance.
- E1. Increase the size of the business through new group members, transfer or development.
- D1. Provide targeted neighbourhood investment.

[4] https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/

The Board consider VFM to be one of the most prominent issues in the Group's operating environment. It presents the Group with a large number of identified strengths, weaknesses, opportunities and threats arising from its PEST analysis and therefore warrants extensive discussion in the Group's corporate plan which sets a number of VFM specific corporate goals leading to VFM-focused projects and Key Performance Indicators (those for 2017/18 are summarised in Figure 3 on the previous page).

The Group's corporate plan projects and KPIs are monitored on a quarterly basis by the Risk & Audit Committee and by the Board.

The Board is also able to triangulate VFM performance through standing reports received on the topics of

(a) New affordable housing delivered 2017/18.

(b) Development plans with secured grant to 2019.

Figure 5

management accounts, treasury, development, sales, external assessments, internal audit and tenant scrutiny.

Table 4 on page 13 sets out the Group's performance during 2017/18 against metrics to measure economy, efficiency and effectiveness. These metrics were introduced by the Regulator of Social Housing in 2018 and will, in future years, aid comparisons to be made across the sector.

Looking to the future, Jigsaw Homes Group has established group-wide targets for each of the metrics within its Corporate Plan. These are also shown in Table 4.

The Group's approach to achieving VFM in 2017/18 is summarised in Figure 6 on the next page.

Figure 6 highlights that VFM can be thought of as an on-going process of optimising the relationship between resources and outcomes. This VFM statement therefore sets out a comprehensive assessment of the use and maintenance of the Group's key resources — its housing assets — and the achievement of its intended outcomes for new housing development; tenancy services; and community investment.

Figure 7 on the following page provides a high-level overview — based on the Consolidated Statement of Cash Flows on page 37 — of how resources were used to achieve outcomes during 2017/18.

Figure 7 shows where the Group's cash came from and how it was spent during the year to 31 March 2018. It shows that cash spend in the year was prioritised firstly on 'New housing development' (74.2% of total spend) which includes the payment of most of the Group's capital and interest costs of loan finance.

Following this, expenditure focused on 'Tenancy services' (15.1% of total spend) and then on 'Housing assets' (10.3% of total spend). Finally, cash spent on 'Community investment' comprised 0.4% of the total.

The outcomes achieved from each of these areas of expenditure is examined in greater detail in the remainder of this section.

New housing development

In 2017/18 the Group's members delivered 763 (2017: 434) units of affordable housing, as shown in Figure 5a on this page.

All new housing developments are expected to provide a positive financial return, acting to strengthen the financial position of the Group's members and helping to refresh their asset portfolios.

The economic impact of housing development can be estimated through the National Housing Federation's CEBR database[5].

An estimate of the impact of the Group's development activity during the year is shown in Table 5 on the current page and is clearly significant. 1,616 jobs are estimated to have been supported through the Group's investment in new development in the year.

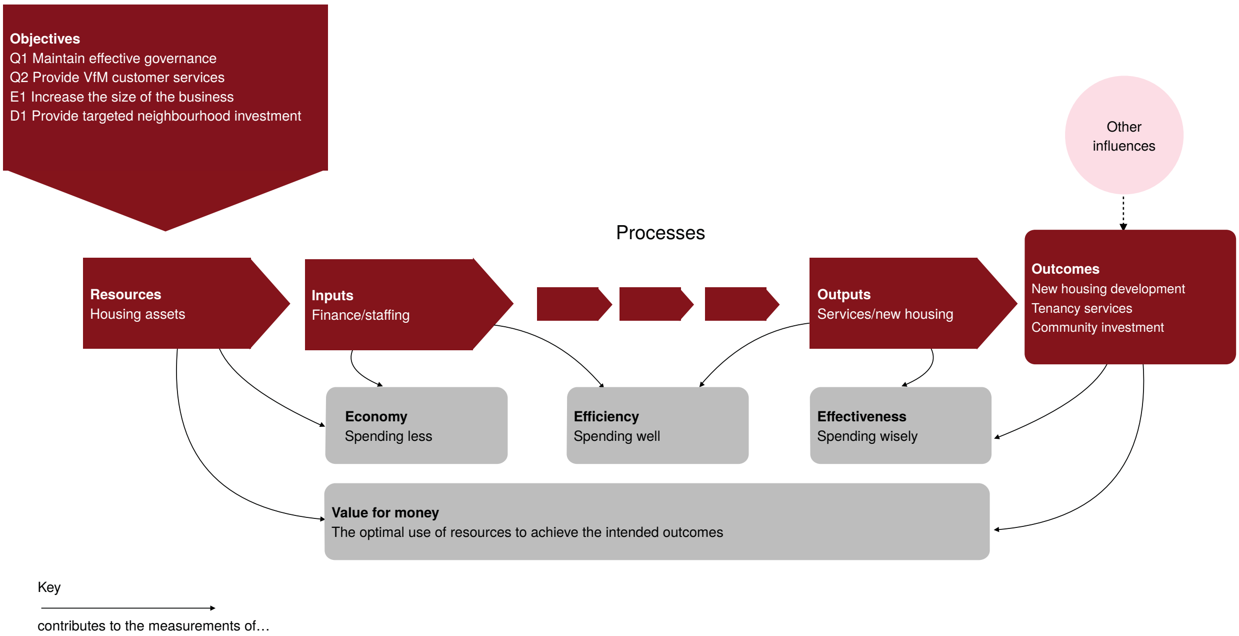
Homes provided	Jobs supported	Impact
763	1,616	£72.0m

Table 5: Local economic impact of housing development 2017/18.

The Group's provision of new housing generates wider value for society as new housing provides people with better places to live.

A 2013 study[6] examines the relationship between

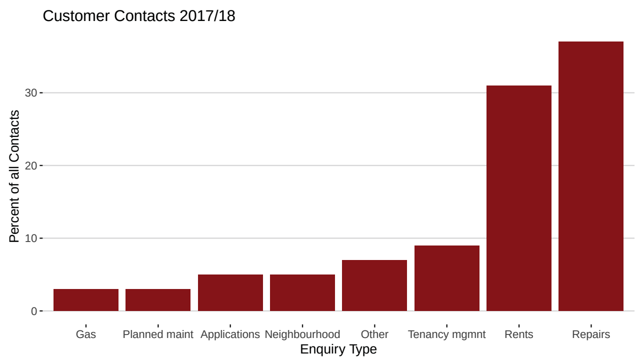
[5] http://www.housing.org.uk/topics/research/economic-impact-tool/
[6] The Social Impact of Housing Providers, HACT, 2013



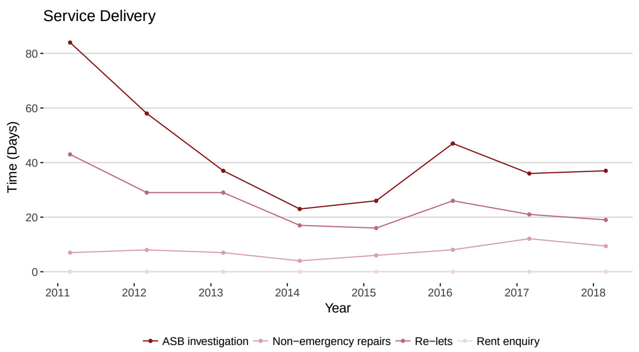
Source: Based on https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/.

Figure 6: VFM framework.

Figure 7: Use of resources to achieve outcomes 2017/18.



(a) Services requested in 2017/18.



(b) Service performance 2011-2018.

Figure 8

		Targets		
Metric	2017/18	2018/19	2019/20	2020/21
Reinvestment	9.8%	5.9%	4.0%	4.8%
New supply delivered (social housing)	6.0%	1.0%	1.8%	0.9%
New supply delivered (non-social housing)	0.0%	0.2%	0.0%	0.0%
Gearing	37.5%	51.5%	49.6%	49.3%
EBITDA MRI interest cover	208.8%	174.2%	183.1%	197.6%
Headline social housing cost per unit	£2.7k	£3.3k	£3.2k	£3.1k
Operating margin (social housing)	43.9%	35.0%	33.5%	33.4%
Operating margin (overall)	38.8%	29.6%	27.4%	28.9%
Return on capital employed	5.0%	4.5%	4.5%	4.4%

Table 4: VFM metrics — performance and future targets.

well-being and housing. It suggests that the social impact of good quality housing association accommodation in terms of well-being effects alone can be valued at up to £1,045 per person housed per year in comparison with other rental alternatives.

The social value generated from improving the lives of the 1,092 adults rehoused into the Group's new developments in the year (2017: 778) is therefore estimated to be in the region of £1.1m per annum (2017: £0.8m).

Through careful architectural design, the Group's housing developments also contribute to improvements to the general built environment and towards efforts to reduce carbon emissions. Figure 9 on the following page presents a selection of the new housing delivered by the Group's members in 2017/18.

The Group's development strategy will yield 1,344 new affordable homes between 2018 and 2022.

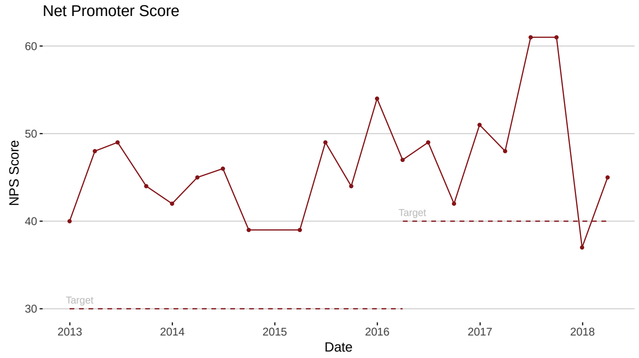
This is expected to inject an additional £126.8m into the north-west economy, support in excess of 2,846 jobs per annum, and provide social value to new tenants of up to £2.7m per annum.

In order to maximise the Group's capacity to deliver housing for rent, the Group has introduced a new initiative to explore the viability of providing housing for out-right sale in order to cross-subsidise social housing. During the year, Snugg Properties Limited was established to deliver this aspect of the Group's development strategy.

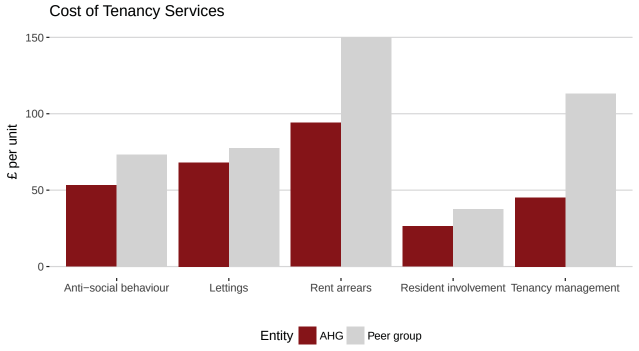
At 31 March 2018, 437 properties were on-site (2016/17: 774).

The Group financed its development commitments of £54.9m through cash generated from its operations, drawn-down loan finance and grant received from Homes England. The Group has worked to make the best of each of these streams:

Figure 9: Good design in new housing 2017/18.



(a) Net Promoter Score 2013-2018.



(b) Benchmarking tenancy service costs.

Source: Housemark, peer group of 43 north-west housing organisations, 2016/17 data.

Figure 10

Surplus generation

According to the most recently published HCA sector-wide data[7], the Group generated the 24th largest operating surplus for every pound of turnover, and recorded the 12th lowest headline cost per unit.

Figure 11 and Figure 12 on the next page summarise this data to compare the Group to other national and north-west based housing associations. The figures illustrate that in 2016/17 the Group continued to control its costs and generated above-trend levels of surplus on social housing lettings for every pound received by the business.

In 2017/18 the Group's surplus from social housing lettings increased to 43.9% of turnover from 42.3% the previous year and is expected to average 43.7% throughout the Group's thirty year financial projections.

Loan finance

81% of debt is fixed and the Group's weighted average cost of loan finance is 4.6% (2017: 4.6%).

The outstanding loan balances of Group members increased by £26m in the year.

Grant funding

AHA and CCH will continue to be active developers in the coming years.

In total, the Group's current development plans will leverage £10.0m of secured grant funding to deliver 1,344 units by 2022 as shown in Figure 5b on page 11.

[7]Source: 2017 Global accounts of Housing Providers, HCA

New housing development: 2017/18 value for money gains

- 763 new affordable homes provided.
- Estimated 1,616 jobs supported through development work.
- Estimated £72.0m of value added into the local economy.
- Estimated £1.1m of social value generated for tenants of new homes.
- Invested £60.2m of cash resources to support new build programme.
- Leveraged grant of £8.9m to support development in the year.
- Established Snugg Properties Limited to cross-subsidise social housing developments.
- Awarded development agent contract from Lune Valley Rural Housing Association.

Tenancy services

The Group provides a range of tenancy services to the tenants and leaseholders of its member housing associations.

1,245 properties were re-let in the year (2017: 1,274). Rent lost due to empty properties remained low at 0.5% (2017: 0.5%). Properties were empty for a median period of 11 days on average compared with 10 days recorded for the previous financial year.

The social value generated for tenants from new lettings in the year is estimated to be in excess of £454k (2017: in excess of £526k).

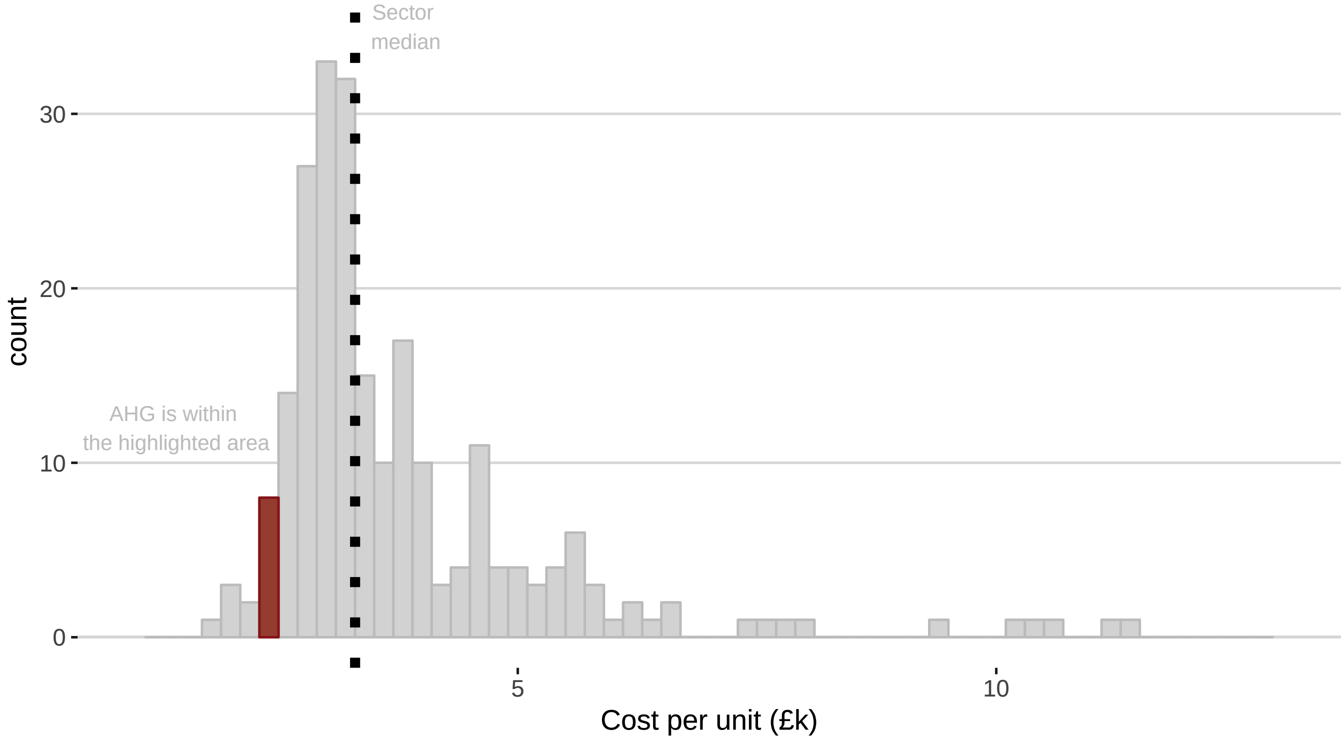


Figure 11: National headline cost per unit.

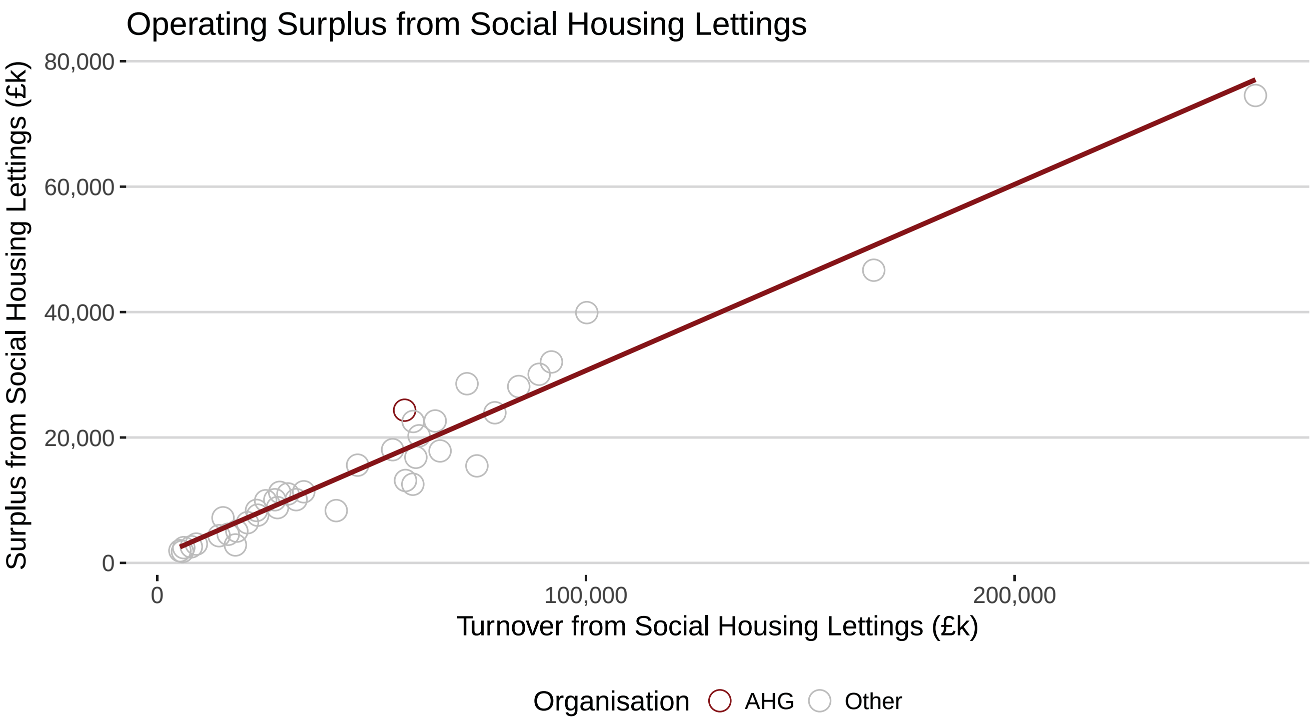
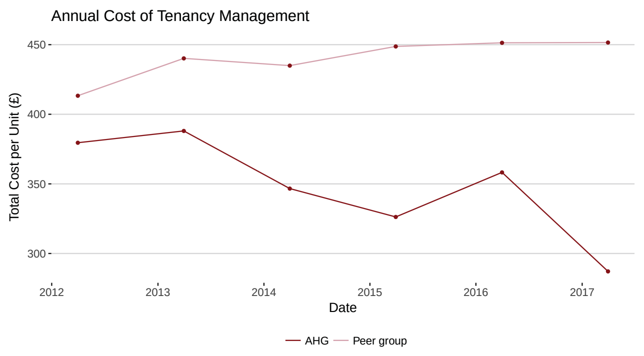
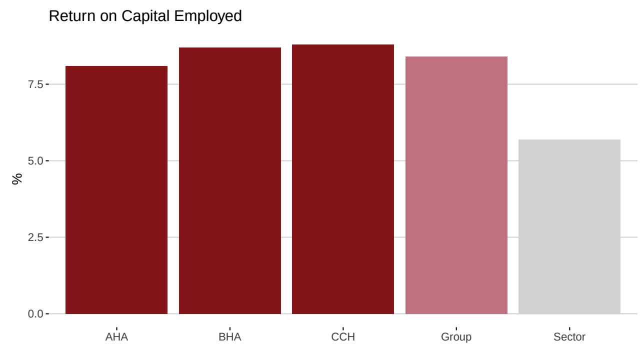


Figure 12: North-west housing association efficiency.



(a) Trend in tenancy service costs.

Source: Housemark, peer group of 54 north-west housing organisations, 2016/17 data.



(b) Return on Capital Employed 2017/18.

Source for national average: HCA 2016 Global Accounts.

Figure 13

Tenancy services are generally accessed via the Group's contact centre — Connect — which resolves more than 76.1% of all enquiries 'right first time'. An estimated 122,000 customer enquiries were answered in this way during 2017/18.

The minority of issues that cannot be dealt with by the contact centre (typically complex maintenance issues or anti-social behaviour cases) are allocated to specialist teams of staff.

This model is extremely effective with 95% (2017: 96%) of those customers surveyed in the year stating that they were satisfied with the response to their enquiry.

The Group's key metric for customer satisfaction, its Net Promoter Score[8], remained strong at the year-end, recording a result of 45 (2017: 49). This performance is comparable to some of the nation's most well-known and respected brands.

Connect was recognised for strong performance by the Customer Contact Association with the award of Small Centre of the Year 2017. Figure 8a on page 13 sets out an analysis of the services requested by customers.

The overwhelming priorities of customers continue to be focused on the basic services of property repairs, lettings and anti-social behaviour. The Group has concentrated on these areas with considerable success in recent years as shown in Figure 8b on page 13.

The Group uses automated telephone calls and SMS services to routinely survey its customers' satisfaction. The key satisfaction metric used is Net Promoter Score. Figure 10a on page 15 shows how this measure continues to record very positive results.

[8]See: https://en.wikipedia.org/wiki/Net_Promoter

The Group's service delivery model is economic. Figure 10b on page 15 shows the latest available data on how the Group's costs for tenancy services compare with 43 other north-west housing organisations.

Taken together, the annual cost of tenancy services is £164.38 per unit less expensive than the median costs of other north-west housing organisations (2017: £124.7).

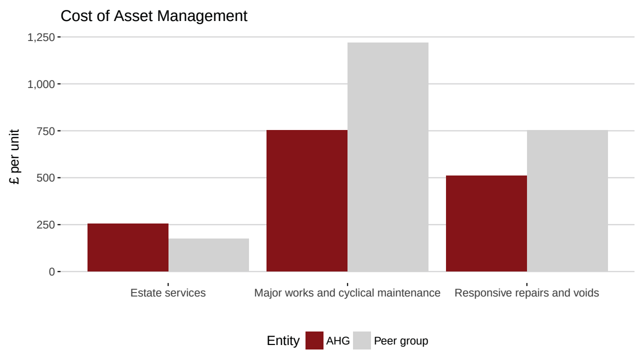
Figure 13a on the current page highlights a five-year downward trend for the Group's total cost of tenancy services compared to an increasing trend during the same period for its north-west peers.

Of particular note are the Group's costs for rent arrears collection and for tenancy management services which remain substantially below the peer average.

During the year, the Group celebrated ten year anniversaries for both the establishment of Chorley Community Housing Limited, and the management of the Miles Platting estate in Manchester under a Private Finance Initiative scheme. The Miles Platting project was recognised for effective partnership working and the quality of refurbishment work on the estate with GOLD award for Best Operational Project at the 2017 Partnership Awards.

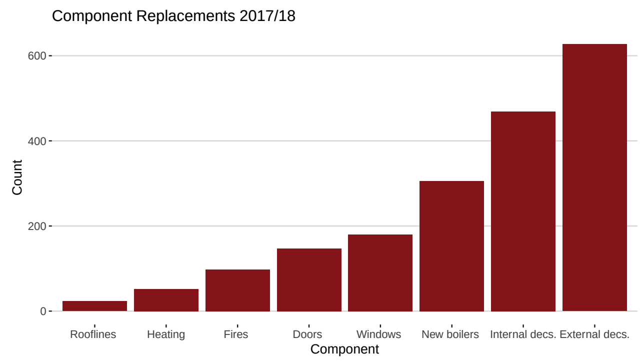
Tenancy services: 2017/18 value for money gains

- 1,245 re-lets were made providing social value of over £454k.
- Connect contact centre attained CCA Global Standard and awarded Small Centre of the Year 2017.



(a) Benchmarking asset management costs.

Source: Housemark, peer group of 43 north-west housing organisations, 2016/17 data.



(b) Asset component investment 2017/18.

Source: AHG.

Figure 14

- Secured additional income for 1,012 referrals to the Group's financial inclusion service.
- 19 energy advice visits were completed.
- Tenant scrutiny reviews of Health & Safety and repairs processing resulted in greater assurance and improved processes.

Housing assets

The Group's housing assets provide the financial platform for the delivery of its social objectives.

The Group's members own and manage 14,227 properties (2017: 13,562) which generated an income of £68.9m[9] (2017: £68.7m) against costs of management, maintenance and investment of £38.2m[10] in 2017/18 (2017: £37.1m). In total, the Group's members have £375.3m (2017: £337.5m) of capital deployed in their housing assets[11] which are expected to generate an average annual return of 8.5 % over the next thirty years[12]. This return has decreased from the previous year's estimate of 10.2 %. It remains comfortably above the Group's weighted average cost of loan finance of 4.6%, demonstrating that the asset portfolio as a whole generates a worthwhile financial investment.

Figure 13b on the preceding page summarises the return on capital employed generated by the Group's housing asset portfolio in the year to 31 March 2018.

Figure 13b shows that the overall return on capital employed of 8.4% (2017: 8.9%) out-performs the sector average of 5.7% recorded for 2016/17[13]. It also indicates that return on capital employed is higher for those Group members with proportionally more general needs housing within their stock holdings.

The Group's better than average return on assets is explained by its better than average operating costs. Low costs are partly the result of the Group's delivery model for tenancy services (see above) but in the main result from an economic approach to asset management. Figure 14a on the current page shows how the Group's asset management costs compare with other north-west housing associations.

In comparison with other north-west based housing associations, Figure 14a demonstrates that the Group's costs per unit for asset management are below median levels overall and are far below median levels for major works and cyclical maintenance. Taken together, the Group's costs for asset management place it within the top quartile of its peer group of 43. The Group's costs per unit for asset management were £629 per unit less expensive than the median costs of its peer group (2017: £738 per unit less expensive).

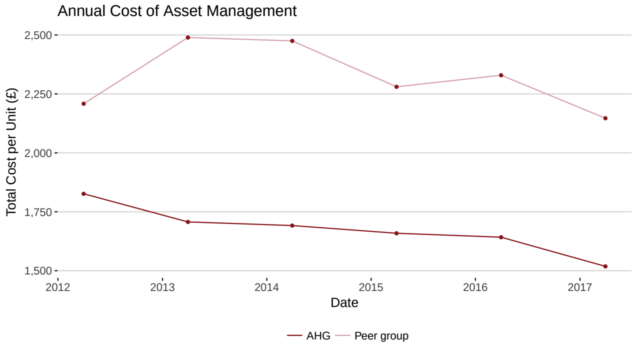
Figure 15a shows that the Group's totals costs for asset management services have consistently reduced in recent years.

Costs are low primarily because the Group's maintenance services are almost entirely provided in-house. In-house provision enables the Group to save the profit and VAT elements that would otherwise be paid through external procurement.

It also allows major maintenance spend to be targeted to individual properties as-and-when needed which is more difficult to achieve through externally procured contracts that tend to package works together on an area-wide basis. Typically, the Group undertakes major maintenance work in empty properties before

[9] Net rent receivable and management income excluding sales, Note 2 to the Financial Statements.
[10] Total expenditure on social housing lettings and housing management contracts, Note 2 to the Financial Statements.
[11] Net of grant received, Note 12 to the Financial Statements.
[12] Internal Rate of Return before interest costs.

[13] Source: 2017 Global accounts of Housing Providers, HCA



(a) Trend in asset management costs.

Source: Housemark, peer group of 54 north-west housing organisations.

(b) Stock disposals 2017/18.

Figure 15

new tenancies commence.

Table 6 on this page provides an overview of the age distribution of the five key building components in the Group's properties.

Table 6 demonstrates that key components in the Group's housing stock have a satisfactory age profile, reflecting the Group's history of sensible investment decisions in component replacements. Of course, investment in improving housing assets remains a relatively high-spend area for the Group with £8.4m invested during the year (2017: £9.0m).

Investment focused on the upgrade of property components in order to maintain compliance with regulatory and statutory requirements.

Expenditure also included £0.7m undertaken in the year (2017: £1.0m) to ensure that housing assets continue to meet the changing expectations of customers. Wider investment in assets as shown in Figure 16 should ensure that the Group's assets remain in demand and are productive.

Component	Mean Age	Median Age
Bathroom	11.2 years	9 years
Boiler	7.4 years	8 years
Kitchen	9.5 years	9 years
Roof	38.5 years	34 years
Windows	13.3 years	12 years

Table 6: Average age of key components in homes

Investment also focused on improving estates including work to improve fencing, external cladding and off-street parking totalling £253k; plus improvements to six retirement living schemes.

Data is used to drive decisions about stock investment, disposal or retention. The Group's strategy is to retain uneconomic housing only in cases where the strategic value of retaining those assets is judged to outweigh the financial cost to the business.

This strategy has resulted in an active programme of stock disposals undertaken with the consent of local authority partners.

During the year, 43 disposals (2017: 67), shown in Figure 15b on the current page, generated capital receipts of £3.2m and a surplus of £1.7m.

Adactus Housing Association has future plans to dispose of approximately 50 units per annum. Capital receipts will be used in support of its housing development programmes.

Housing assets:
2017/18 value for money gains

- Growth in asset base of £50.0m.
- Modernisation of six retirement living schemes at a cost of £441k.
- Wider estate improvements at a cost of £253k.
- Disposal of 43 uneconomic properties generating a capital receipt of £3.2m.

Community investment

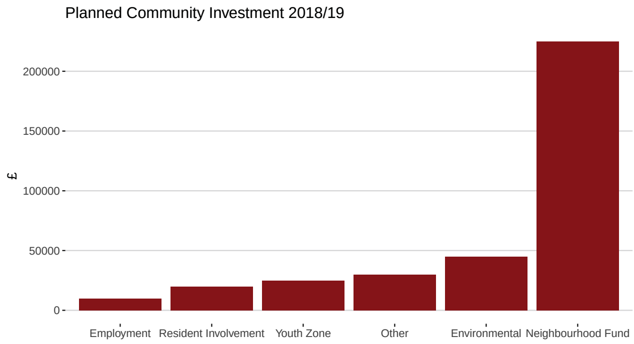
In 2017/18 the Group's members expended £0.5m (2017: £0.5m) on initiatives to improve the quality of life of tenants.

In 2017/18 141 projects (2017: 151) were supported benefiting people throughout the north-west as shown in Figure 18a on page 21.

Figure 16: Wider asset investment.

Figure 17: Breathe Investment Grants 2017/18.

(a) BIG Fund projects 2017/18.



(b) Planned community investment 2018/19.

Figure 18

The Group's flagship initiative in this area is the Breathe Investment Grants (BIG Fund — a tenant controlled vehicle for providing financial support to community projects.

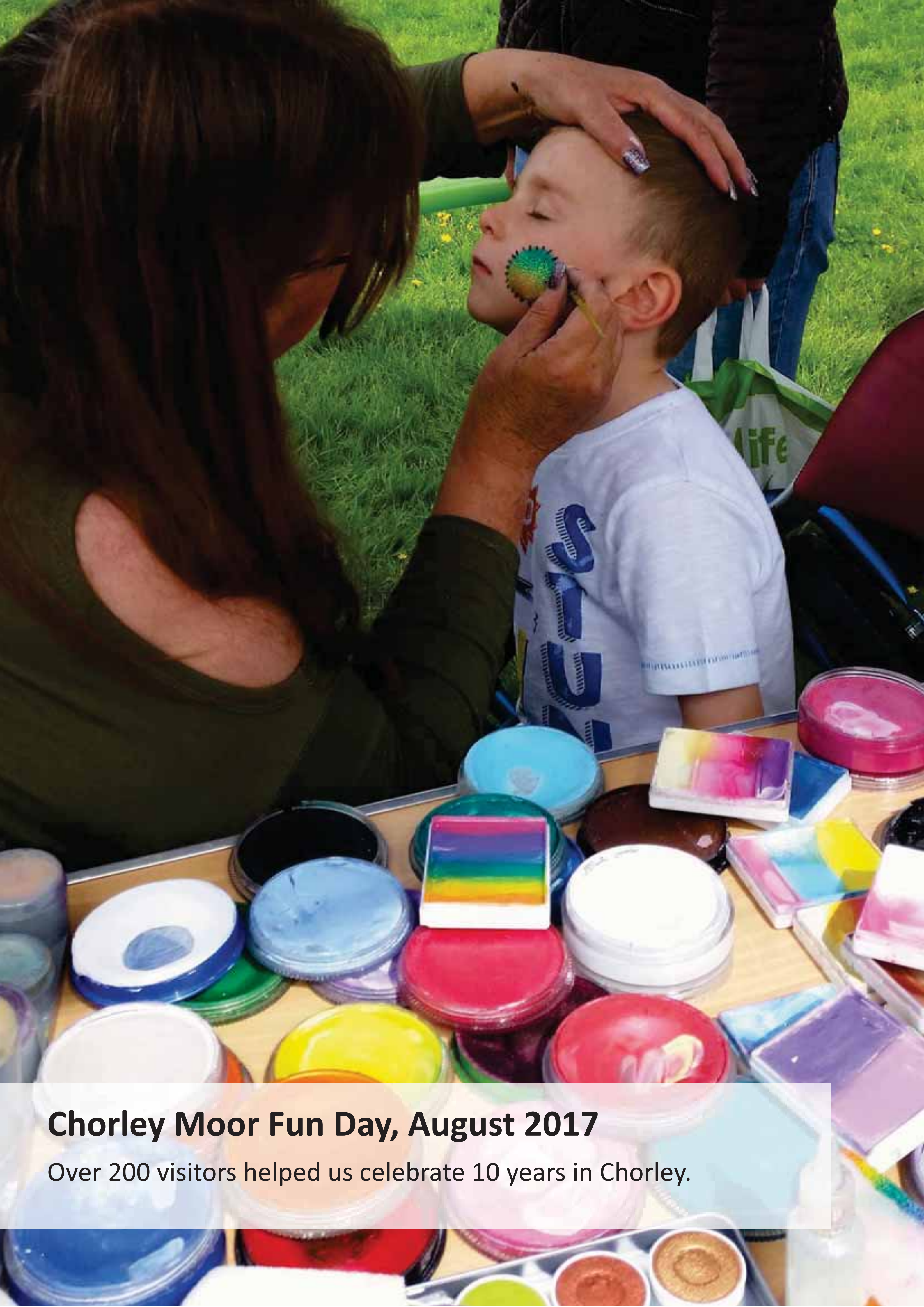
Examples of some of the initiatives supported in 2017/18 are provided in Figure 17 on the previous page.

The Group's strategic aim is to invest £900,000 in community projects during the three years to 2020.

Figure 18b on this page shows the investment planned for 2018/19.

Community investment: 2017/18 value for money gains

- 141 community projects supported through £224,688 BIG Fund spend.
- 74 environmental projects across 13 local authorities.
- 24 digital training sessions held in retirement living schemes.
- 14 people accessed 1:1 employment support.
- 12 residents groups supported.



Chorley Moor Fun Day, August 2017

Over 200 visitors helped us celebrate 10 years in Chorley.

Assurance and governance

Board members and executive directors

The present board members and those who served during the year are set out on page 1.

The executive directors are the senior management team highlighted on page 1.

The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify board members and officers against liability arising through the undertaking of their duties.

Service contracts

The executive directors are appointed on employment contracts with six months' notice.

Pensions

During the year, all of the executive directors with the exception of the group chief executive participated in the Social Housing Pension Scheme, a defined benefit (final salary) pension scheme. They participated in the scheme on the same terms as other eligible staff and each relevant association within the Group contributed to the scheme on behalf of its employees. The group chief executive was not an active member of any pension scheme during the year.

Other benefits

The executive directors are entitled to other benefits such as the provision of a car (or car allowance) and health care insurance.

Employees

The Group recognises that the success of the business depends on the quality of its managers and staff. It is the policy of the Group and Association that training, career development and promotion opportunities should be available to all employees.

The Group is committed to equal opportunities. Of particular note is its support of disabled people, both in terms of recruitment and also retention of employees who become disabled whilst employed by the Group.

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

Donations

During the year, the Group and Association made no political donations. Any charitable contributions are made within the Group's normal activities.

Slavery and human trafficking statement

This statement is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 and sets out the steps the Group has taken to ensure that slavery and human trafficking is not taking place in its supply chains or in any part of its business.

The Group publishes information about its supply chains on its website. Specifically, details of all invoiced expenditure over £99.99 are published at https://www.adactushousing.co.uk/information/333.

For 2017/18 this information details payments to c. 930 suppliers during the year.

A list of suppliers and contractors is maintained and periodically reviewed by the Group's directors.

Suppliers and contractors undergo rigorous checks to ensure that the Group undertakes business with reputable organisations that commit to the highest standards of conduct and good practice.

These steps work to mitigate the risk of slavery and human trafficking taking place in the Group's supply chain. No further steps are taken.

Financial risk management objectives and policies

The Group uses various financial instruments including loans and cash and other items such as rent arrears and trade creditors that derive directly from its operations. The main purpose of these financial instruments is to raise finance for the delivery of the Group's objectives.

The existence of these financial instruments exposes the Group to a number of financial risks. The main risks arising from the Group's financial instruments are considered by board to be interest rate risk, liquidity risk and credit risk. The Board as part of the overall Risk Management Strategy and Treasury Management Strategy reviews and agrees policies for managing each of these risks as summarised below.

Interest rate risk

The Group finances its operations through a mixture of retained surpluses and bank borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and wisely.

Credit risk

The Group's principal credit risk relates to tenant rent arrears. This risk is managed by robust recovery procedures, providing support to existing tenants where necessary and the pre-let screening of applicants for tenancies. The Group's financial inclusion service provides the necessary support to tenants and the Group's arrears recovery team closely monitors tenant arrears as a whole.

The introduction of Universal Credit has been identified as a key risk to the Group and therefore the Group has made a prudent assumption in relation to bad debts in its financial plan and forward budget, to ensure the impact of this risk is more than covered by the financial results of the organisation as a whole.

Going concern

The Board has a reasonable expectation that the Group and Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which this document is signed. The annual update of the financial and business plan coupled with the available loan facilities in place gives the Board reasonable assurance to continue to adopt the going concern basis in the Financial Statements.

Internal controls assurance

The Board acknowledges its overall 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 Group is on-going and has been in place throughout the period commencing 1 April 2017 up to the date of approval of this document.

Key elements of the control framework include:

- Formal policies and procedures are in place, including the documentation of key processes and rules for the delegation of authorities. These policies and procedures are reviewed on an agreed cycle.
- Experienced and suitably qualified staff are responsible for important business functions.
- A performance management framework is in place to provide monitoring information to the Board and management. Employee progress against agreed, documented objectives is formally reviewed. Management report regularly on risks and how these are managed.
- Forecasts and budgets are prepared which allow the Board and management to monitor financial objectives and risks. Monthly management accounts are prepared promptly with significant variances from budget investigated and accounted for. This reporting includes the monitoring of all loan covenants.
- All significant new initiatives and projects are subject to formal appraisal and authorisation procedures by the appropriate board.
- The governance committee receives quarterly reports on board appraisal, recruitment and succession.
- An internal audit service is provided by the Group incorporating a team managed by a qualified, full-time employed audit manager. The performance, scrutiny and audit committee (PSAC) approves the audit programme and reviews internal audit reports, reports from management and third-party reviews including reports from tenant scrutiny.

- The PSAC reports quarterly to the Board and reviews the assurance procedures, ensuring that an appropriate range of techniques are used to obtain the level of assurance required by the Board.

- Risks are identified, assessed and documented in a risk register with details of how each risk will be managed. The risk register is completed with approval on a quarterly basis by the PSAC and annually by the Board. Internal audit independently reviews the risk identification procedures and control process implemented by management and reports to PSAC.

- The group chief executive also reports to the Board on behalf of the senior management team on significant changes in the business and external environment which affect significant risks.

- The Board receives quarterly information on the financial performance together with a summary of key performance indicators covering the main business risks.

- A fraud register is maintained by the group company secretary and all significant frauds are reported to the audit committee. No significant frauds were reported during 2017/18.

- The PSAC reviews and approves this statement of the Group and Association's internal controls assurance.

Adactus Housing Group has two unregulated subsidiaries, Palatine Contracts Limited, which traded in the year, and Snugg Properties Limited.

Although not registered providers and not regulated by Homes England they are both managed and monitored under the same internal control framework as outlined above, specifically:

- Directors of the Boards include current board members of Adactus Housing Group.

- The Group's standard policies/procedures and financial regulations have been adopted into all unregulated subsidiaries.

- All unregulated subsidiaries are subject to the same financial and internal control scrutiny by both the Group's internal and external audit functions.

- The Group's PSAC carries out an annual scrutiny of the unregulated subsidiaries' Financial Statements.

- There is no detrimental financial risk to the Group should these two unregulated subsidiaries cease operations at any point as the assets exceed the likely debt.

Code of governance

The Group has adopted Excellence in Governance (National Housing Federation, 2015) as its Code of Governance. During the year the Group's compliance with the Code was subject to internal audit. The Board is pleased to report full compliance with the Code.

Merger code

The Group has adopted the voluntary Mergers, Group, Structures and Partnership Code (National Housing Federation, 2015).

Statement of compliance

This document has been prepared in accordance with applicable reporting standards and legislation. The Board also confirms that the Group and Association has complied with Homes England's Governance and Financial Viability Standard.

Statement of responsibilities of the Board for the report and Financial Statements

The Board is responsible for preparing the Board's Report and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare Financial Statements for each financial year. Under those regulations the Board have elected to prepare the Financial Statements in accordance with UK Accounting Standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these Financial Statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each director has taken all the steps that she/he ought to have taken as director to make herself/himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

External auditors

In accordance with the Co-operative and Community Benefit Societies Act 2014, a resolution to re-appoint BDO LLP as external auditors will be proposed at a meeting of the Jigsaw Homes Group board.

Approved by the Board on 12 September 2018:

Signed on their behalf by:

Fay Selvan

Group Chair

Greater Manchester Housing Providers GMHP

We want everyone to live in a home they can afford!

Independent auditor's report to the members of Jigsaw Homes Group Limited

Opinion on the Financial Statements

We have audited the Financial Statements of Jigsaw Homes Group Limited (formerly Adactus Housing Group Limited) ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's surplus and the Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 Group and Association 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 board members use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the board members have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group's or the Association'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 board are responsible for the other information. Other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information 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 including the Strategic Report, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 25, the board is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the Financial Statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAS (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements. A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

for and on behalf of
BDO LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street Manchester M3 3AT

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

Old Trafford Clean up day, 2017

Over 200 Trafford residents took part, filling four free skips!

Consolidated Statement of Comprehensive Income

Year ended 31 March 2018		2018		2017	
		Group	Association	Group	Association
	Notes	£'000	£'000	£'000	£'000
Turnover	2	76,584	22,186	74,058	21,825
Cost of sales	2	(6,208)	-	(6,848)	-
Operating expenditure	2	(38,186)	(22,154)	(37,127)	(21,757)
Operating surplus		**32,190**	**32**	**30,083**	**68**
Profit/(loss) on disposal of non-housing assets	5	11	-	(97)	-
Interest receivable	6	108	1	157	4
Interest and financing costs	7	(14,220)	(32)	(11,603)	(57)
Surplus before tax	**8**	**18,089**	**1**	**18,540**	**15**
Taxation	9	(181)	(14)	(104)	(32)
Surplus/(deficit) for the year after tax		**17,908**	**(14)**	**18,436**	**(17)**
Other comprehensive income					
Actuarial gain/(loss) in respect of pension schemes	30	751	-	(1,196)	-
Total comprehensive income for the year		**18,659**	**(14)**	**17,240**	**(17)**

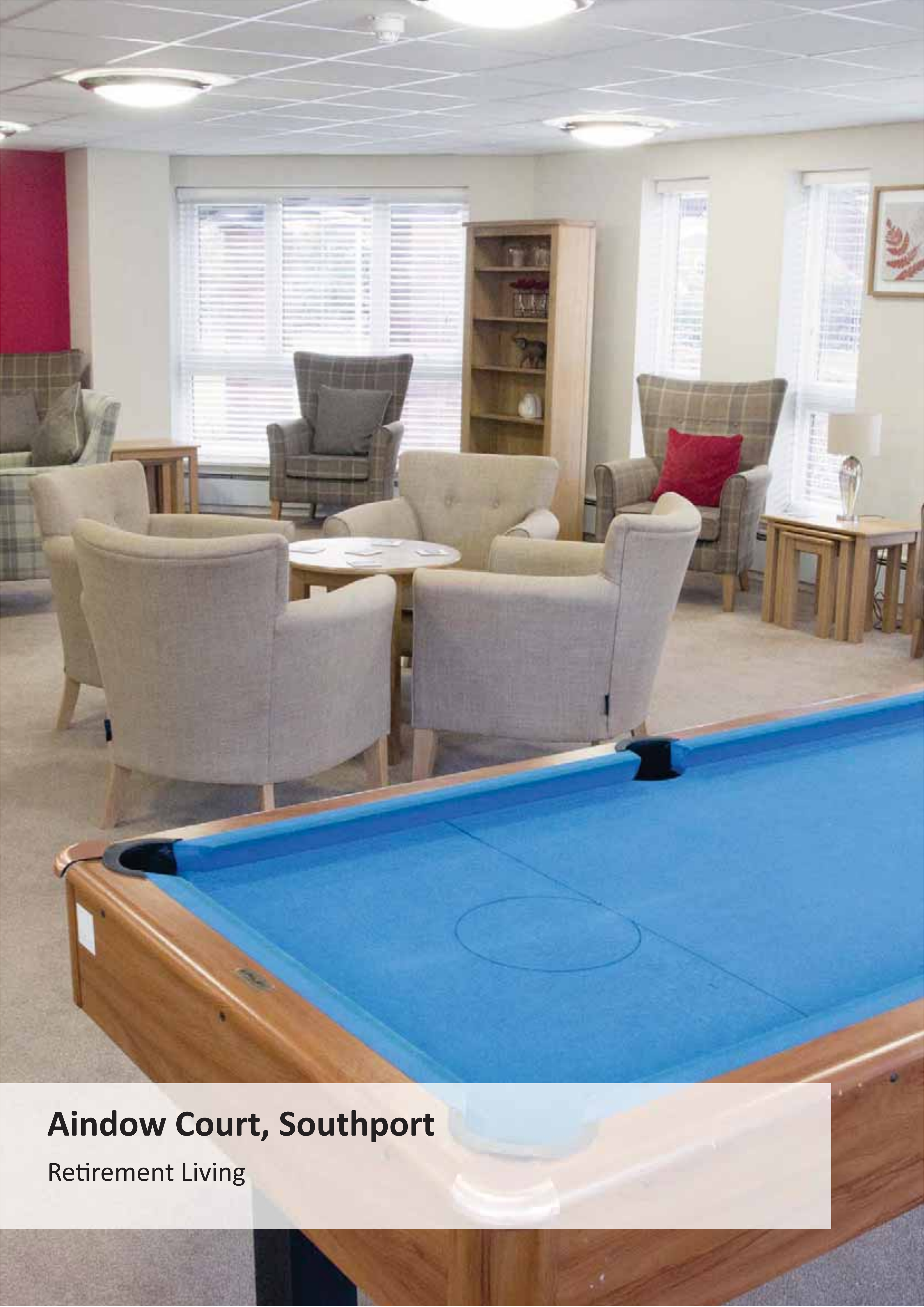
The Financial Statements on pages 31 to 37 were approved and authorised for issue by the Board on 12 September 2018 and were signed on its behalf by:

F. Selvan
Chair

P. Chisnell
Executive member

B. Moran
Secretary

The consolidated and parent association results relate wholly to continuing activities and the notes on pages 39 to 72 form an integral part of these Financial Statements.



Aindow Court, Southport

Retirement Living

Consolidated Statement of Financial Position

At 31 March 2018		2018		2017	
		Group	Association	Group	Association
	Notes	£'000	£'000	£'000	£'000
				Restated	Restated
Fixed assets					
Tangible fixed assets	12	620,095	-	576,883	-
Investment properties	13	192	-	192	-
		620,287	**-**	**577,075**	**-**
Current assets					
Stock	14	3,280	165	1,208	173
Trade and other debtors	15	8,660	991	5,748	1,433
Investments	16	1,284	-	1,437	-
Cash and cash equivalents	17	43,331	94	43,997	43
		56,555	**1,250**	**52,390**	**1,649**
Less: Creditors: amounts falling due within one year	18	(34,373)	(1,431)	(24,100)	(1,395)
Net current assets/(liabilities)		**22,182**	**(181)**	**28,290**	**254**
Total assets less current liabilities		**642,469**	**(181)**	**605,365**	**254**
Creditors: amounts falling due after more than one year	19	(525,883)	(1,890)	(507,167)	(2,311)
Provisions for liabilities					
Pension provision	30	(2,718)	-	(2,989)	-
Total net assets		**113,868**	**(2,071)**	**95,209**	**(2,057)**
Reserves					
Non-equity share capital	23	-	-	-	-
Revenue reserve		113,868	(2,071)	95,209	(2,057)
Total reserves		**113,868**	**(2,071)**	**95,209**	**(2,057)**

The Financial Statements on pages 31 to 37 were approved and authorised for issue by the Board on 12 September 2018 and were signed on its behalf by:

F. Selvan
Chair

P. Chisnell
Executive member

B. Moran
Secretary

The notes on pages 39 to 72 form an integral part of these Financial Statements.

Breathe Investment Grants

Invested **£142,120** in **91** Adactus Housing Association projects!

Consolidated Statement of Changes in Equity

Year ended 31 March 2018	Non-equity share capital	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 31 March 2017	**-**	**95,209**	**95,209**
Surplus from Statement of Comprehensive Income	-	17,908	17,908
Actuarial gain in respect of pension schemes	-	751	751
Balance at 31 March 2018	**-**	**113,868**	**113,868**

The notes on pages 39 to 72 form an integral part of these Financial Statements.

Apprenticeships

Voted ‘Employer of the Year 2018’ - Sysco Business Skills Academy.

Consolidated Statement of Cash Flows

Year ended 31 March 2018	2018 £'000	2017 £'000
Net cash generated from operating activities (see below)	**32,244**	**30,527**
Cash flow from investing activities		
Purchase of tangible fixed assets	(60,210)	(59,577)
Proceeds from sale of tangible fixed assets	8,701	9,527
Grants received	8,901	8,325
Interest received	108	157
	(42,500)	**(41,568)**
Cash flow from financing activities		
Interest paid	(16,483)	(13,194)
New secured loans	39,626	28,500
Repayment of borrowings	(13,707)	(9,022)
	9,436	**6,284**
Net change in cash and cash equivalents	**(820)**	**(4,757)**
Cash and cash equivalents at beginning of the year	45,434	50,191
Cash and cash equivalents at end of the year	**44,614**	**45,434**

	2018 £'000	2017 £'000
Cash flow from operating activities		
Surplus for the year	18,659	17,240
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	8,660	7,683
Decrease/(increase) in properties for sale	(37)	233
Decrease/(increase) in trade and other debtors	(1,438)	(3,578)
Increase/(decrease) in trade and other creditors	(294)	2,556
Pension costs less contributions payable	(1,427)	484
Carrying amount of tangible fixed asset disposals	5,712	6,523
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	(8,701)	(9,698)
Government grants utilised in the year	(3,001)	(2,362)
Interest paid	14,219	11,603
Interest received	(108)	(157)
Net cash generated from operating activities	**32,244**	**30,527**

The notes on pages 39 to 72 form an integral part of these Financial Statements.

Priory, Litherland

A CCH development of 13 properties for affordable rent.

Notes to the Financial Statements

Legal status

Adactus Housing Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with Homes England as a Private Registered Provider of Social Housing.

The registered office is Cavendish 249, Cavendish Street, Ashton-under-Lyne, Tameside, OL6 7AT.

The Association is a member of the Adactus Group Structure (the Group), of which Adactus Housing Group Limited is the parent company. The Group comprises the following principal entities:

Name	Incorporation	HCA registration
Adactus Housing Group Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Adactus Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Beech Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Chorley Community Housing Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Palatine Contracts Limited	Companies Act 2006	Non-registered
Snugg Properties Limited	Companies Act 2006	Non-registered

Table 7: Principal group members.

1. Principal accounting policies

Basis of accounting

The Financial Statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group Financial Statements.

The Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Financial Statements are prepared on the historical cost basis of accounting as modified by the revaluation of investments and are presented in pounds sterling.

Parent company disclosure exemptions

In preparing the separate Financial Statements of the parent company, advantage has been taken of the following disclosure exemptions:

- No cash flow statement has been presented for the parent company,
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole, and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

Basis of consolidation

The consolidated Financial Statements incorporate the results of Adactus Housing Group Limited and all of its subsidiary undertakings as at 31 March 2018 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

Going concern

The Financial Statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future.

Judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the Financial Statements.

a. Development expenditure

The Group capitalises development expenditure in accordance with the accounting policy described on page 44. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. Categorisation of housing properties

The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that a proportion of the Miles Platting PFI development should be classed as investment property.

c. Impairment

The Group has identified a cash generating unit for impairment assessment purposes at a property scheme level.

Other key sources of estimation and assumptions:

a. Tangible fixed assets

Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

b. Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2017. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in Note 13 on page 56.

c. Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in Note 30 on page 63.

d. Impairment of non-financial assets

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following the assessment of impairment no impairment losses were identified in the reporting period.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Supporting People contracts

Supporting People contract income received from Administering Authorities is accounted for as ‘Charges for support services’ in Note 3 on page 48.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years in consultation with the residents. Until costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs

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

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Financial Statements, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the year-end date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits,
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the Financial Statements are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source, i.e. local authority, are included as an asset and equal liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UELs. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Component	**Years**
Boilers	15
Kitchens	20
Bathrooms	30
Roofs	80
Windows	30
Doors	30
Lifts	25
Structure	100

Table 8: Useful Economic Lives.

Other tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following rates:

Asset type	**Rate**
Land & buildings	3.33% per annum on cost or the length of the lease
Furniture, fixtures & fittings	10% per annum on cost
Office & computer equipment	25% per annum on cost
Motor vehicles	25% per annum on cost

Table 9: Fixed Asset Depreciation Rates.

Shared ownership properties

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Property managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group. In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

Leasing

Rental payments under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Stock and properties held for sale

Stock of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in operating expenditure.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover.

Social Housing Grant (SHG) and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of capital grant

Where SHG is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF. In these cases, the creditor is carried forward until it is used to fund the acquisition of new social housing.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the year-end date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year-end date.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the Financial Statements follow the requirements of Section 28 of FRS102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Financial Statements calculated by the repayments known, discounted to the net present value at the year-end using a market rate discount factor as set out in Note 30 on page 63. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

Financial instruments

Financial assets and liabilities are measured at fair value (including transaction costs).

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- The best evidence of fair value is a quoted price in an active market.
- When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at cost less impairment.
- Financial liabilities such as loans are held at amortised cost using the effective interest method.
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method.
- Commitments to receive or make a loan to another entity are held at cost less impairment.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

Financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the Statement of Comprehensive Income immediately.

2. Turnover, cost of sales, operating expenditure and operating surplus

	2018			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 3)	60,634	-	(34,028)	26,606
Other social housing activities:				
Housing management contracts	6,812	-	(4,190)	2,622
First tranche low cost home ownership sales	971	(990)	-	(19)
Sales of other housing properties	7,702	(5,218)	-	2,484
Other	465	-	32	497
Total	**76,584**	**(6,208)**	**(38,186)**	**32,190**

	2017			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 3)	57,714	-	(33,325)	24,389
Other social housing activities:				
Housing management contracts	6,309	-	(3,869)	2,440
First tranche low cost home ownership sales	4,178	(3,296)	-	882
Sales of other housing properties	5,380	(3,552)	-	1,828
Other	477	-	67	544
Total	**74,058**	**(6,848)**	**(37,127)**	**30,083**

3. Turnover and operating expenditure

	General housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	Total 2018 £'000	Total 2017 £'000
Income					
Rent receivable net of identifiable service charges and net of voids	40,464	9,037	2,279	51,780	49,406
Service charge income	1,006	3,459	682	5,147	4,932
Charges for support services	-	776	-	776	944
Amortised government grants	2,726	-	205	2,931	2,432
Turnover from social housing lettings	**44,196**	**13,272**	**3,166**	**60,634**	**57,714**
Operating expenditure					
Management	4,643	1,788	386	6,817	6,707
Service charge costs	1,057	4,270	680	6,007	5,905
Routine maintenance	5,183	1,467	197	6,847	6,536
Planned maintenance	3,312	1,543	31	4,886	5,786
Major repairs expenditure	698	55	11	764	601
Bad debts	284	67	5	356	303
Property lease charges	179	-	-	179	262
Depreciation of housing properties	6,252	1,340	321	7,913	6,911
Other costs	203	45	11	259	314
Operating expenditure on social housing lettings	**21,811**	**10,575**	**1,642**	**34,028**	**33,325**
Operating surplus on social housing lettings	**22,385**	**2,697**	**1,524**	**26,606**	**24,389**
Void losses	186	99	33	318	343

4. Accommodation owned, managed and in development

Group	**2018 No. of units**		**2017 No. of units**	
	Owned	**Managed**	**Owned**	**Managed**
Social Housing				
General needs housing				
Social rent	6,792	1,419	6,821	1,444
Affordable rent	2,503	-	1,794	-
Sheltered housing for older people	1,645	71	1,645	71
Supported housing	442	-	445	-
Low-cost home ownership	833	90	832	87
Leasehold where the Group owns the freehold	432	-	423	-
Total units social housing	**12,647**	**1,580**	**11,960**	**1,602**

The Association had no units in management (2017: 0). The Group owns 238 (2017: 237) properties which are managed by others.

Group – In development	2018	2017
	No. of units	No. of units
Social Housing		
General needs housing		
Social rent	29	94
Affordable rent	378	665
Low-cost home ownership	30	15
Total units social housing	**437**	**774**

Group - Movement in the year (owned properties)	No.of units
Opening number of units at 1 April 2017	**11,960**
New units developed	581
New units acquired	182
Units sold	(75)
Other adjustments	(1)
Closing number of units at 31 March 2018	**12,647**

5. Profit/(loss) on disposal of non-housing assets

Group	2018	2017
	£'000	£'000
Proceeds of sales	53	225
Carrying value	(42)	(318)
Incidental costs	-	(4)
Total loss	**11**	**(97)**

6. Interest receivable

Group	2018	2017
	£'000	£'000
Bank interest receivable	108	157
Total	**108**	**157**

7. Interest and financing costs

Group	2018	2017
	£'000	£'000
		Restated
Loans and bank overdrafts	13,108	12,768
Early redemption costs*	1,898	-
Amortisation of loan fees	312	207
Notional interest on RCGF/DPF	7	2
Interest on pension deficit	384	219
Interest capitalised on housing properties under construction	(1,489)	(1,593)
Total	**14,220**	**11,603**

*Early redemption of loans totalling £9.8m prior to the merger with New Charter Housing Trust Limited.

The weighted average interest on borrowings of 4.6% (2017: 4.6%) was used for calculating capitalised finance costs.

8. Surplus before tax

Group	2018	2017
	£'000	£'000
The operating surplus is stated after charging:		
Auditor's remuneration (excluding VAT):		
Audit of the Group financial statements*	11	10
Audit of subsidiaries	37	27
Fees payable to the company's auditor & its associates for other services to the Group		
Taxation advice	15	15
Other	3	6
Operating lease rentals:		
Land and buildings	162	252
Other	672	640
Depreciation:		
Depreciation of housing properties	7,914	6,911
Depreciation of other fixed assets	765	772

*£3,000 (2017: £3,000) of this relates to the company.

9. Taxation

Group	2018	2017
	£'000	£'000
Current tax		
Current tax on income for the year	175	74
Adjustments in respect of previous periods	-	(6)
Total current tax charge	**175**	**68**
Deferred tax		
Origination and reversal of timing differences	15	9
Adjustment in respect of previous years	(9)	-
Effect of tax rate change on opening balance	-	27
Total deferred tax charge	**6**	**36**
Total tax recognised in the Statement of Comprehensive Income	**181**	**104**

	2018			2017		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in Statement of Comprehensive Income	175	6	181	68	36	104
Total tax	**175**	**6**	**181**	**68**	**36**	**104**

Reconciliation of effective tax rate	2018	2017
	£'000	£'000
Surplus for the year	17,908	18,436
Total tax expense	181	104
Surplus excluding taxation	**18,089**	**18,540**
Tax using the UK corporation tax rate of 19% (2017: 20%)	3,437	3,708
Effect of tax free income due to charitable activities	(3,196)	(3,654)
Fixed asset differences	36	-
Net expenses not deductable for tax purposes	16	15
Income not taxable for tax purposes	(48)	
Adjustments in respect of prior periods	(75)	(7)
Tax rate differences on deferred tax	(3)	26
Chargeable gains	20	17
Deferred tax not recognised	(6)	(1)
Total tax charge	**181**	**104**

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013 . Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets at 31 March have been calculated based on these rates.

Deferred tax assets and liabilities	**Assets**		**Liabilities**		**Net**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Accelerated capital allowances	-	-	38	46	38	46
Unused tax losses	(97)	(43)	-	-	(97)	(43)
Other short term timing differences	(393)	(462)	-	-	(393)	(462)
Tax (assets) / liabilities	**(490)**	**(505)**	**38**	**46**	**(452)**	**(459)**

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £14,099 (2017: £15,129) in respect of capital losses carried forward and short term timing differences.

10. Directors' remuneration

Group	**2018**	**2017**
	£'000	**£'000**
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	59	60
The aggregate emoluments paid to or receivable by executive directors and former executive directors	513	710
The aggregate compensation paid to or receivable by directors (key management personnel)	1,183	1,345
The emoluments paid to the highest paid director excluding pension contributions	174	196

Directors (key management personnel) are defined as members of the Board, the group chief executive and any other person who is a member of the senior management team or its equivalent. There were no pension payments made in 2017/18 for the group chief executive, who was the highest paid director.

Board members	Total 2018	Total 2017	AHG	AHA	BHA	CCH	PSAC
Non-executive							
J Clayton	11,000	7,069	✓ chair	✓			
O Baker	5,000	5,000		✓ chair			✓
R O'Connell	5,400	4,670			✓ chair		
A Cain	5,000	5,000	✓	✓	✓	✓ chair	
E Mellor	3,000	6,000	✓	✓	✓	✓	✓ chair
D Addy	5,296	4,500					✓
E Clivery	4,500	4,500	✓	✓	✓	✓	
L Cope	4,125	4,500					✓
S Dunn	2,323	-				✓	
L Garsden	4,500	8,250	✓	✓	✓	✓	✓
P Lees	4,500	-	✓	✓	✓	✓	
Cllr R Lees	4,500	3,871				✓	
P Joyce	-	6,459					
Total	**59,144**	**59,819**					

11. Employee information

	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:				
Management and administration	163	145	162	142
Development	18	22	18	22
Housing, support and care	336	339	231	233
Total	**517**	**506**	**411**	**397**

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Staff costs				
Wages and salaries	14,273	14,394	11,807	11,835
Social security costs	1,280	1,265	1,100	1,078
Other pension costs	841	873	704	732
Total	**16,395**	**16,532**	**13,611**	**13,645**

Aggregate number of full time equivalent staff whose remuneration (including pension contributions) exceeded £60,000 in the period:	**Group** **2018** **No.**	**2017** **No.**
£60,001 - £70,000	5	6
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
£90,001 - £100,000	2	2
£100,001 - £110,000	-	-
£110,001 - £120,000	2	2
£120,001 - £130,000	-	-
£130,001 - £140,000	-	-
£140,001 - £150,000	-	-
£150,001 - £160,000	1	3
£160,001 - £170,000	1	-
£170,001 - £180,000	2	2
£180,001 - £190,000	1	-
£190,001 - £200,000	-	1

12. Tangible fixed assets

Housing properties	Social housing properties for letting completed £'000	Social housing properties for letting under construction £'000	Shared ownership properties completed £'000	Shared ownership properties under construction £'000	Total housing properties £'000
Cost					
At start of the year	527,359	48,029	56,207	595	632,190
Additions to properties acquired	(123)	49,120	35	5,129	54,161
Capitalised administration costs	-	1,281	(3)	71	1,349
Interest capitalised	-	1,411	-	78	1,489
Transfers to/from stock	-	-	(86)	(1,996)	(2,082)
Reclassification	(509)	-	509	-	-
Component replacements	2,757	-	-	-	2,757
Components replaced	(968)	1	-	-	(967)
Schemes completed	84,706	(84,706)	2,609	(2,609)	-
Disposals	(4,194)	-	(2,499)	-	(6,693)
At end of the year	**609,028**	**15,136**	**56,772**	**1,268**	**682,204**
Depreciation and impairment					
At start of the year	60,432	-	3,090	-	63,522
Charge for the year	7,495	-	420	-	7,915
Components replaced	(968)	-	-	-	(968)
Reclassification	(30)	-	30	-	-
Disposals	(378)	-	(112)	-	(490)
At end of the year	**66,551**	**-**	**3,428**	**-**	**69,979**
Net book value:					
At 31 March 2018	**542,477**	**15,136**	**53,344**	**1,268**	**612,225**
At 31 March 2017	466,927	48,029	53,117	595	568,668

All properties are held on either a freehold or long leasehold basis. There are 1,934 properties held on a long leasehold basis with an associated cost of £45.9m. 97% of the remaining lease periods are greater than 70 years.

Group	2018 £'000	2017 £'000
Works to existing properties in the year:		
Improvement works capitalised	2,757	2,653
Amounts charged to expenditure	5,648	6,387
Total	**8,405**	**9,040**

Other fixed assets	Land and buildings £'000	Furniture and equipment £'000	Motor vehicles £'000	Total other fixed assets £'000
Cost				
At start of the year	7,383	5,961	363	13,707
Additions to properties acquired	48	248	167	463
Disposals	-	(427)	(113)	(540)
At end of the year	**7,431**	**5,782**	**417**	**13,630**
Depreciation and impairment				
At start of the year	1,997	3,326	169	5,492
Charge for the year	249	446	71	766
Disposals	-	(424)	(74)	(498)
At end of the year	**2,246**	**3,348**	**166**	**5,760**
Net book value:				
At 31 March 2018	**5,185**	**2,434**	**251**	**7,870**
At 31 March 2017	5,386	2,635	194	8,215

13. Investment properties

Group	2018 £'000	2017 £'000
At start of year	192	192
At end of year	**192**	**192**

Investments properties relates to retail space at the Miles Platting office in Manchester. Fair value of the investment properties is based on a valuation on 16 March 2017 by independent valuer Bruton Knowles. The valuer holds a Royal Institution of Chartered Surveyors qualification and has recent experience in the location and class of investment property being valued. The valuation was made on an existing use value basis in accordance with the RICS Valuation - Professional Standards January 2014 Global & UK Edition (as amended April 2015). A formal valuation is carried out every three years.

14. Stock

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
First tranche shared ownership properties				
Completed	718	589	-	-
Work in progress	2,398	402	-	-
Outright sale properties				
Completed	-	44	-	-
Stock	165	173	165	173
Total	**3,280**	**1,208**	**165**	**173**

15. Trade and other debtors

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
		Restated		
Rent arrears	2,083	1,871	-	-
Less: provision for bad debts	(983)	(864)	-	-
Sub-total	**1,100**	**1,007**	**-**	**-**
Prepayments and accrued income	3,748	2,825	420	675
Amounts owed by group undertakings	-	-	44	237
Other taxation and social security	35	16	35	16
Deferred tax	490	505	490	505
Other debtors	2,632	1,285	2	-
Lease debtor	655	110	-	-
Total	**8,660**	**5,748**	**991**	**1,433**

A number of tenants in arrears are in formal repayment agreements with the Group. An assessment of the net present value of those repayment agreements was carried out. The potential adjustment identified was insignificant and was less than the provision for bad debts against those tenancies. On this basis, no adjustment has been made in the Financial Statements in relation to the net present value of the repayment agreements.

16. Investments

The investment relates to money held on deposit at various financial institutions.

17. Cash and cash equivalents

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank	43,331	43,997	94	43
Total	**43,331**	**43,997**	**94**	**43**

18. Creditors: amounts falling due within one year

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
		Restated		Restated
Loans and overdrafts (Note 19b)	15,908	4,459	-	-
Trade creditors	1,172	1,165	326	110
Amounts owed to group undertakings	-	-	31	200
Funds held on behalf of homeowners	934	798	-	-
Rents and service charges paid in advance	1,848	1,857	-	216
Deferred tax	38	46	-	-
Other taxation and social security payable	526	412	0	-
Accruals and deferred income	6,472	9,751	431	461
Deferred capital grant (Note 20)	2,639	2,486	-	-
Recycled capital grant fund (Note 21)	806	706	-	-
Disposal proceeds fund (Note 22)	101	-	-	-
Other creditors	2,843	1,784	218	-
SHPS pension agreement plan (Note 30)	1,086	636	425	408
Total	**34,373**	**24,100**	**1,431**	**1,395**

19(a). Creditors: amounts falling due after more than one year

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
		Restated		**Restated**
Social housing loans (Note 19b)	283,348	269,790	-	-
Deferred capital grant (Note 20)	234,255	228,724	-	-
Recycled capital grant fund (Note 21)	2,422	1,236	-	-
Disposal proceeds fund (Note 22)	71	242	-	-
Local authority loan	105	-	-	-
SHPS pension agreement plan (Note 30)	5,682	7,175	1,890	2,311
Total	**525,883**	**507,167**	**1,890**	**2,311**

19(b). Debt analysis

Group	2018	2017
	£'000	£'000
Social housing loans		
Loans repayable by instalments:		
Within one year	3,908	4,431
In one year or more but less than two years	3,992	4,525
In two years or more but less than five years	31,048	14,023
In five years or more	157,243	171,518
Loans not repayable by instalments:		
Within one year	12,000	-
In one year or more but less than two years	12,000	-
In two years or more but less than five years	21,014	33,014
In five years or more	62,026	49,400
Fair value adjustment on financial instruments	701	780
Less: loan issue costs	(4,677)	(3,846)
Non housing loans		
Loans repayable by instalments:		
Within one year	-	28
In one year or more but less than two years	-	28
In two years or more but less than five years	-	85
In five years or more	-	263
Total loans	**299,255**	**274,249**

Loans from external funders are secured by fixed charges on individual housing properties. Housing loans are repayable with interest chargeable at varying rates from 0.5% to 10.9% during the year.

The interest rate profile of the Group at 31 March 2018 was:	Total	Variable rate	Fixed rate	Weighted average rate	Weighted average term
	£'000	£'000	£'000	%	Years
Instalment loans	196,192	-	196,192		
Non-instalment loans	105,414	56,014	49,400		
Total loans	**301,606**	**56,014**	**245,592**	**4.55**	**21.7**

At 31 March 2018 the Group had the following borrowing facilities:	£'000
Undrawn facilities	83,500
Total	**83,500**

20. Deferred capital grant

Group	2018	2017
	£'000	£'000
At start of the year	231,210	226,922
Grant received in the year	10,377	9,516
Disposals	(1,611)	(2,797)
Released to income in the year	(2,931)	(2,431)
Adjustment	(150)	-
At end of the year	**236,895**	**231,210**
Amount due to be released within one year	2,639	2,486
Amount due to be released after more than one year	234,255	228,724
Total	**236,894**	**231,210**

21. Recycled capital grant fund

Group	2018	2017
	£'000	£'000
At the start of the year	1,942	1,932
Inputs: grants to recycle	1,414	1,194
Interest accrued	7	2
Recycling: grants recycled	(135)	(1,186)
At the end of the year	**3,228**	**1,942**
Amount three years or older where repayment may be required	-	-

22. Disposal proceeds fund

Group	2018	2017
	£'000	£'000
At the start of the year	242	420
Net PRTB receipts	-	69
Interest accrued	(70)	(247)
At the end of the year	**172**	**242**
Amount three years or older where repayment may be required	-	-

23. Non-equity share capital

Association	2018	2017
	£	£
Allotted issued and fully paid		
At the start of the year	10	9
Issued during the year	-	1
At the end of the year	**10**	**10**

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

24. Capital commitments

Group	2018	2017
	£'000	£'000
Capital expenditure contracted for but not provided for in the Financial Statements	25,760	43,703
Capital expenditure authorised by the Board but not yet been contracted for	36,158	69,271
Total	**61,918**	**112,974**
The Group expects these commitments to be financed with:		
Social housing grant	9,271	16,504
Proceeds from the sales of properties	3,590	1,821
Committed loan facilities and surpluses generated from operating activities	49,057	94,649
Total	**61,918**	**112,974**

The above figures include the full cost of shared ownership properties contracted for.

25. Operating leases

Operating lease payment obligations are as follows:	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Land and buildings:				
Within one year	161	186	-	-
In one year or more but less than five years	518	585	-	-
In five years or more	622	698	-	-
Others:				
Within one year	637	589	637	589
In one year or more but less than five years	678	1,093	678	1,093
In five years or more	-	-	-	-
Total	**2,616**	**3,151**	**1,315**	**1,682**

Lease agreements do not include contingent rent or restrictions. Other operating leases for motor vehicles include purchase options. Leases for land & buildings include renewal periods after five years throughout the lease.

26. Contingent liability

There are no known contingent liabilities (2017: nil).

27. Grant and financial assistance

Group	2018	2017
	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant (Note 20)	236,894	231,210
Recognised as income in Statement of Comprehensive Income	32,369	29,699
Total	**269,263**	**260,909**

28. Related parties

Adactus Housing Group Limited was registered with the Financial Services Authority on 26 June 2002. The Group Structure contains:

Name	Incorporation	HCA registration
Adactus Housing Group Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Adactus Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Beech Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Chorley Community Housing Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Palatine Contracts Limited	Companies Act 2006	Non-registered
Snugg Properties Limited	Companies Act 2006	Non-registered

Table 10: Principal group members.

The Association provides core administration, finance, development, management and maintenance services for each of the Group's subsidiaries. All transactions are recharged from the Group under a management agreement at an agreed return on cost. Charges in the year were:

- £14.9m to Adactus Housing Association Limited;
- £6.0m to Chorley Community Housing Limited; and
- £1.1m to Beech Housing Association Limited.

The Board of Adactus Housing Association Limited is corporate trustee of the James Tomkinson Memorial Cottages Trust.

The Group has taken advantage of the exemption available under Section 33 FRS102 not to disclose transactions with wholly owned subsidiary undertakings.

29. Post year-end events

On 3 April 2018, Adactus Housing Group Limited merged with New Charter Housing Trust Limited by way of a receipt of a transfer of engagements.

On the same day, Adactus Housing Group Limited changed its name to Jigsaw Homes Group Limited and changed the situation of its registered office to Cavendish 249, Cavendish Street, Ashton-under-Lyne, OL6 7AT.

30. Pensions

Pension obligations

The Adactus Housing Group participates in three pension schemes, the Social Housing Pension Scheme (SHPS), the Greater Manchester Pension Fund (GMPF) and the Lancashire County Pension Fund (LCPS). All three schemes are multi-employer defined benefit schemes. The schemes are funded and are contracted out of the state scheme.

Social Housing Pension Scheme (SHPS)

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005.

This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m.

To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April

The scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 and 3 deficit contributions.

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	2018	**2017**	**2016**
	£'000	**£'000**	**£'000**
Present value of provision (Group)	6,769	7,811	8,431
Present value of provision (Association)	2,315	2,719	2,983

Reconciliation of opening and closing provisions

	2018		**2017**	
	£'000	**£'000**	**£'000**	**£'000**
	Group	**Association**	**Group**	**Association**
Provision at 1 April	**7,811**	**2,720**	**8,431**	**2,984**
Unwinding of the discount factor (interest expense)	95	32	163	57
Deficit contribution paid	(1,044)	(408)	(1,006)	(392)
Remeasurements - impact of any change in assumptions	(94)	(29)	223	71
Provision at 31 March	**6,768**	**2,315**	**7,811**	**2,720**

Statement of comprehensive income impact

	2018		2017	
	£'000	£'000	£'000	£'000
	Group	Association	Group	Association
Interest expense	95	32	163	57
Remeasurements – impact of any change in assumptions	(94)	(29)	223	71
Contributions paid in respect of future service	1,243	781	1,231	776
Costs recognised in Statement of Comprehensive Income	**1,244**	**784**	**1,617**	**904**

Assumptions

	2018	2017	2016
	% per annum	% per annum	% per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Deficit contributions schedule

	2018	2018	2017	2017	2016	2016
	Group	Association	Group	Association	Group	Association
	£'000	£'000	£'000	£'000	£'000	£'000
Year 1	1,086	425	1,044	408	1,006	392
Year 2	1,128	443	1,086	425	1,044	408
Year 3	986	367	1,128	443	1,086	425
Year 4	832	284	986	367	1,128	443
Year 5	862	295	832	284	986	367
Year 6	741	229	862	295	832	284
Year 7	613	159	741	229	862	295
Year 8	630	163	613	159	741	229
Year 9	325	84	630	163	613	159
Year 10	-	-	325	84	630	163
Year 11	-	-	-	-	325	84
Year 12	-	-	-	-	-	-
Year 13	-	-	-	-	-	-
Year 14 to year 20	-	-	-	-	-	-

The Group must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the Statement of Comprehensive Income i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Group's Statement of Financial Position liability.

Greater Manchester Pension Fund (GMPF)

Adactus Housing Association Limited (AHA) participates in the Greater Manchester Pension Fund (GMPF). GMPF is a multi-employer defined benefit scheme under the regulations governing the Local Government Pension Scheme. This scheme is funded and is contracted out of the state scheme.

There is an actuarial valuation of the GMPF every 3 years. The main purpose of the valuation is to determine the financial position of the GMPF in order to determine the level of future contributions required so that the GMPF can meet its pension obligations as they fall due.

The last formal valuation of the GMPF was performed at 31 March 2016 by a professionally qualified actuary using the Projected Unit Method. The market value of the GMPF's assets at the last valuation date was £12,590m. The valuation revealed a deficit of assets compared to liabilities of £1,317m.

AHA paid contributions at the rate of 19.1% (2017: 19.1%) during the year to 31 March 2018. Member contributions varied between 5.8% and 6.5%.

The employers' contributions to the GMPF by AHA for the year ended 31 March 2018 were £37,249 (2017: £37,249).

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2018 by a qualified independent actuary.

Financial assumptions

	2018	2017
Pension increase rate	2.40%	2.40%
Salary increase rate	2.40%	2.40%
Discount rate	2.70%	2.60%

Mortality

VitaCurves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.5	24.1
Future pensioners*	23.7	26.2

* Figures assume members aged 45 as at the last formal valuation date.

Historic mortality

Life expectancies for the prior period end are based on the fund's VitaCurves. The allowance for future improvements are shown below:

Period ended	Prospective pensioners	Pensioners
31 March 2018	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Please note that the mortality assumptions have been changed since the previous accounting period.

Commutation

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

Changes in the fair value of plan assets, defined benefit obligation and net liability

	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair value of plan assets	2,199	-	2,199
Present value of funded liabilities	-	3,058	(3,058)
Opening position as at 1 April 2017	**2,199**	**3,058**	**(859)**
Service cost			
Current service cost*	-	78	(78)
Total service cost	**-**	**78**	**(78)**
Net interest			
Interest income on plan assets	57	-	57
Interest cost on defined benefit obligation	-	80	(80)
Total net interest	**57**	**80**	**(23)**
Total defined benefit cost recognised in surplus or (deficit)	**57**	**158**	**(101)**
Cashflows			
Plan participants' contributions	12	12	-
Employer contributions	37	-	37
Benefits paid	(56)	(56)	-
Expected closing position	**2,249**	**3,172**	**(923)**
Remeasurements			
Changes in financial assumptions	-	(61)	61
Return on assets excluding amounts included in net interest	10	-	10
Total remeasurements recognised in Other Comprehensive Income	**10**	**(61)**	**71**
Fair value of plan assets	2,259	-	2,259
Present value of funded liabilities	-	3,111	(3,111)
Closing position as at 31 March 2018	**2,259**	**3,111**	**(852)**

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

Information about the defined benefit obligation

	Liability split (£'000) as at 31 March 2018	Liability split (%) as at 31 March 2018	Weighted average duration at previous formal valuation
Active members	1,726	55.5%	24.1
Deferred members	498	16.0%	17.7
Pensioner members	887	28.5%	11.0
Total	**3,111**	**100.0%**	**18.2**

Please note that the above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation.

Analysis of projected amount to be charged to operating surplus for the period to 31 March 2018

	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	% of pay
Projected current service cost	-	76	(76)	(39.0%)
Total service cost	**-**	**76**	**(76)**	(39.0%)
Interest income on plan assets	61	-	61	31.3%
Interest cost on defined benefit obligation	-	84	(84)	(43.1%)
Total net interest cost	**61**	**84**	**(23)**	(11.8%)
Total included in Statement of Comprehensive Income	**61**	**160**	**(99)**	**(50.8%)**

* The current service cost includes an allowance for administration expenses of 0.3% of payroll. The monetary value is based on a projected payroll of £191,000.

The contributions to be paid are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority.

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2018:	**Approximate % increase to employer liability**	**Approximate monetary amount £'000**
0.5% decrease in real discount rate	10%	320
0.5% increase in the salary increase rate	2%	76
0.5% increase in the pension increase rate	8%	238

Lancashire County Pension Fund (LCPF)

Chorley Community Housing Limited (CCH) participates in the Lancashire County Pension Fund (LCPF). The LCPF is a multi-employer defined benefit scheme under the regulations governing the Local Government Pension Scheme. This scheme is funded and is contracted out of the state scheme.

There is an actuarial valuation of the LCPF every three years. The main purpose of the valuation is to determine the financial position of the LCPF in order to determine the level of future contributions required so that the LCPF can meet its pension obligations as they fall due.

The last formal valuation of the LCPF was performed at 31 March 2016 by a professionally qualified actuary using the Projected Unit Method.

The market value of the LCPF's assets at the last valuation date was £6,036m. The valuation revealed a deficit of assets compared to liabilities of £690m.

CCH paid contributions at the rate of 15.6% (2017: 15.6%) during the year to 31 March 2018. Member contributions varied between 5.5% and 9.9%.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2018 by a qualified independent actuary.

Financial assumptions

The major assumptions used by the actuary in assessing scheme liabilities as at 31 March 2018 were as follows:

	2018	2017
	% p.a.	% p.a.
Rate of CPI inflation	2.10%	2.30%
Pension increase rate	2.10%	2.30%
Salary increase rate	2.20%	2.30%
Discount rate	2.60%	2.60%

Mortality assumptions

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

	Males	Females
Current pensioners	22.7	25.4
Future pensioners retiring in 20 years	25.0	28.0

Statement of Financial Position items

	2018	2017
	£'000	£'000
Present value of funded benefit obligations	15,384	15,365
Total present value of benefit obligations	**15,384**	**15,365**
Fair value of plan assets	(13,518)	(13,235)
Deficit/(surplus)	**1,866**	**2,130**

Components of pension cost for the period

	2018	2017
	£'000	£'000
Current service cost	239	187
Net interest cost	54	37
Administrative expenses	4	4
Total pension cost recognised in Statement of Comprehensive Income	**297**	**228**

Statement of other comprehensive income

	2018	2017
	£'000	£'000
Re-measurements (liabilities and assets)	(469)	906
Total pension cost recognised in Statement of Comprehensive Income	**(469)**	**906**

Change in benefit obligations

	2018	2017
	£'000	£'000
Benefit obligation at 1 April	**15,365**	**12,362**
Current service cost	239	187
Interest on pension liabilities	396	440
Member contributions	52	58
Re-measurements (liabilities)		
Experience (gain)/loss	-	(473)
(Gain)/loss on assumptions	(338)	3,092
Benefits/transfers paid	(330)	(301)
Benefit obligations at 31 March	**15,384**	**15,365**

Change in plan assets

	2018	2017
	£'000	£'000
Fair value of plan assets at 1 April	**13,235**	**11,239**
Interest on plan assets	342	403
Re-measurements (assets)	131	1,713
Administration expenses	(4)	(4)
Employer contributions	92	127
Member contributions	52	58
Benefits/transfers paid	(330)	(301)
Fair value of plan assets at 31 March	**13,518**	**13,235**
Actual return on plan assets	**472**	**2,171**

Asset allocation

	2018		2017	
	£'000		£'000	
Equities	6,002	44.4%	(1)	0.0%
Government bonds	338	2.5%	265	2.0%
Other bonds	243	1.8%	212	1.6%
Property	1,271	9.4%	1,165	8.8%
Cash/liquidity	(54)	-0.4%	146	1.1%
Other	5,718	42.3%	11,448	86.5%
Total	**13,518**		**13,235**	

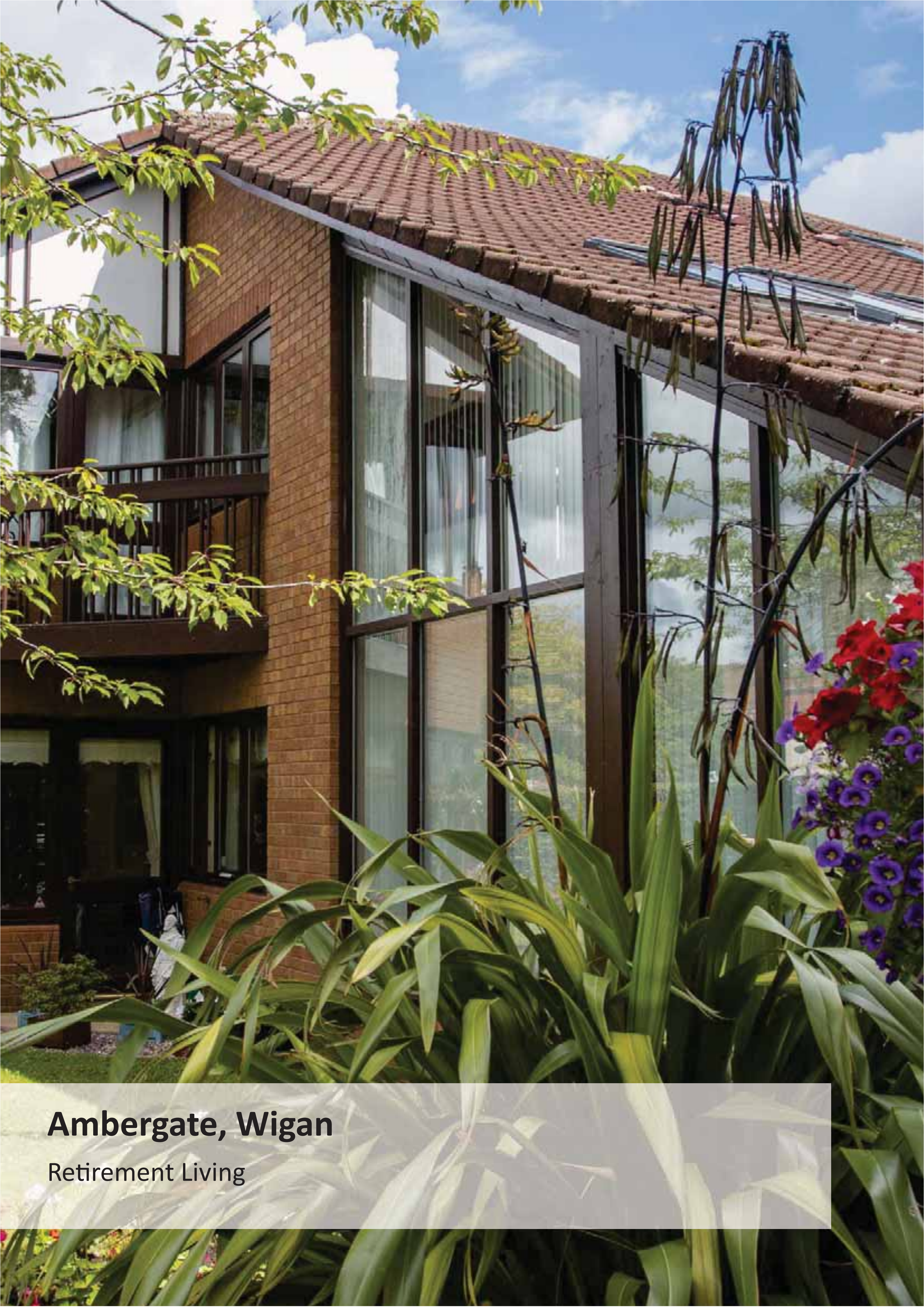
Sensitivity analysis

	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	1 year life expectancy increase
Disclosure item	£'000	£'000	£'000	£'000	£'000
Liabilities	15,384	15,103	15,670	15,435	15,673
Assets	(13,518)	(13,518)	(13,518)	(13,518)	(13,518)
Deficit/(surplus)	1,866	1,585	2,152	1,917	2,155
Projected service cost for next year	229	223	236	229	234
Projected net interest cost for next year	47	42	55	49	55

31. Restatement of 2017 figures

The following restatements were made to the previously reported 2017 figures:

- In note 7 £136k was moved from loans and bank overdraft to amortisation of loan fees to make the accounts consistent across all group companies.
- In note 15 £5,797 was removed from prepayments and accrued income relating to invoices between group companies. This also resulted in an equal reduction in note 18 to accruals and deferred income. This restatement also affects the Statement of Financial Position.
- In note 18 £408k has been added for the parent company, and for the group, to SHPS pension agreement plan. A corresponding reduction was made in note 19a to SHPS pension agreement plan. This restatement was to reflect the amount due within one year which had previously been reported as greater than one year. This restatement also affects the Statement of Financial Position.



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Retirement Living

Created entirely in-house.
Data viz with R — Typeset with LaTeX.

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