Financial Statements for the year ended 31 March 2019

Jigsaw

Creating homes. Building lives.

Contents

Company Information

Registration number Co-operative and Community Benefit Societies Act 2014	29433R
Regulator of Social Housing Registration Number	LH4345
Registered office	Cavendish 249 Cavendish Street Ashton-under-Lyne Tameside OL6 7AT
Board members	F. Selvan (chair, appointed April 2018) J. Clayton (chair until April 2018, vice chair, resigned March 2019) D. Addy (appointed April 2018) O. Baker (resigned April 2018) R. Barker (appointed April 2019) G. Brown (appointed April 2018) A. Cain (resigned April 2018) P. Chisnell (executive member) E. Clivery G. Cooney (appointed November 2018) M. Dunford (appointed April 2018, resigned March 2019) L. Garsden (resigned April 2018) B. Groarke (appointed April 2018) P. Lees (resigned April 2018) R. O'Connell (appointed April 2018) B. Moran (appointed February 2019) A. Powell (appointed April 2018, resigned February 2019) H. Roberts (executive member) T. Ryan (appointed April 2019)

Senior management team

H. Roberts: Group Chief Executive
B. Moran: Company Secretary and Deputy Chief Executive
A. Powell: Deputy Chief Executive (appointed April 2018,resigned February 2019)
C. Amyes: Executive Director of Organisational Transformation (appointed April 2018, resigned June 2018)
P. Chisnell: Executive Director of Finance
D. Kelly: Group Director of Neighbourhoods & Support (appointed July 2019)
A. Marshall: Group Director of Asset Management
K. Marshall: Group Director of Development
I. Munro: Transformation Director (appointed April 2018, resigned November 2018)
E. Wilson: Group Director of Neighbourhoods (appointed April 2018, resigned March 2019)

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

1. Introduction

Its a WIN for Motiv8

Motiv8 win at Housing Heroes Awards

Chair's Statement

On behalf of the board of management, I am very pleased to present the Report and Financial Statements for Jigsaw Homes Group Limited (JHG) for the 2018/19 financial year.

This document sets out a comprehensive account of our activities during 2018/19 and provides an insight into the efforts made by my colleagues on the board, our executive and by our staff to deliver the Group's objectives.

I would like to take this opportunity to highlight the progress we have made in delivering on our plans and also, looking ahead, to outline our position on the most pressing developing issues in our operating environment.

Delivering Our Plans

We began 2018/19 with a real enthusiasm to deliver on the benefits of the creation of Jigsaw Homes Group and we have maintained the impetus for change throughout the year. Early in the year, we adopted a *Corporate Plan* which identifies four priorities, providing a strategic framework for our efforts to progress the business. These are:

- Caring for our customers, our assets and neighbourhoods
- Building a strong corporate foundation
- Valuing staff
- Growing the business

It has certainly been an exceptionally busy year and there are too many individual initiatives and pieces of good work to highlight in this brief introduction. We set out a detailed account of our work to deliver on each of our strategic priorities on pages 13–31.

I would however like to highlight here two high-level points which demonstrate the great strides already made in delivering on the promise of Jigsaw Homes Group:

Firstly, in the post-merger period, significant effort has been made to ensure that our new Group is placed on a solid foundation. It is therefore particularly pleasing to note that this work was recognised in July 2019 by our regulator who published ratings for our governance and viability of "G1 V1" following an *In Depth Assessment*.

Secondly, after our first year, together we are already c. £5m ahead of the Group's original business case for merger and this has enabled us to increase our plans to build more homes in the coming years.

The achievement of this level of savings has not been easy and some difficult decisions have had to be made during the last 12 months. In particular I would stress that the decisions to reduce staffing levels have not been taken lightly and I would like to thank our staff for getting on with the day job in what has been an unsettling period for some.

Looking to the Future

Risks Posed By Brexit

The UK's decision to leave the European Union will likely prove to be the defining domestic political issue of this generation. Our analysis indicates however that the Group should be relatively isolated from the potential financial and non-financial effects of *Brexit*.

In the event of a so-called "disorderly" or "disruptive" Brexit, our primary concern will be to protect our supply chain to ensure that the health and safety of our tenants is not compromised. We have received assurances from our key suppliers on this point but will remain vigilant.

Regulation at a Crossroads

Housing association regulation would appear to be at a crossroads.

One path leads to a sector that will be more highly regulated on consumer issues than in recent years. This is the path that might be more readily anticipated from an analysis of August 2018's Housing Green Paper, *A New Deal for Housing*, and from the subsequent consultation responses submitted to the Green Paper.

Notably, Grenfell Forever and Shelter are not only seeking greater consumer regulation but are strongly lobbying for a new consumer regulator to be created.

Given the recent change in prime minister however it is not at all clear whether the path to greater consumer regulation will be taken. The prime minister is known to have strong deregulatory instincts and his advisors include the architects of the current regulatory settlement.

So we find ourselves in a period of regulatory uncertainty.

Regardless of the path taken by the government, the Group is committed to ensuring that our services are developed through a knowledge of our customer needs and demands gained through good customer intelligence, that we learn from complaints about our services, and that we are transparent about our activities.

We feel that we have already developed some leading work in this area, such as the innovative *Jigsaw Rewards* initiative which enables our tenants to take part online in a menu of consultation activities chosen at their convienience, ranging from photo activities through to scrutiny panels. We are an 'early adopter' of the National Housing Federation's *Together with Tenants* project which seeks to strengthen the relationship between housing associations and their tenants and residents and we look forward to helping to shape this work in the coming year.

I would like to conclude this introduction by extending my sincere thanks to Jane Clayton and to Mark Dunford. Both Jane and Mark were long-standing board members who retired on 31 March 2019 having provided the precursor organisations that went on to form Jigsaw with many years of the very best service.

Fay Selvan

Group Chair

Our vision:

We want everyone to live successfully in a home they can afford.

Our mission:

Creating homes. Building lives.

Our values and behaviours:

About Jigsaw Homes Group

Jigsaw Homes Group was formed in 2018 through the merger of two of the housing sector's leading organisations: Adactus Housing Group and New Charter Housing Trust. Our new Group brings together 13 organisations working in unison to tackle inequality throughout the North West and East Midlands.

The principal members of the Group are:

- Adactus Housing Association Ltd.
- Aksa Housing Association Ltd.
- Beech Housing Association Ltd.
- Chorley Community Housing Ltd.
- Gedling Homes.
- New Charter Building Company Ltd.
- New Charter Homes Ltd.
- Threshold Housing Project Ltd.

As measured by financial turnover, together we are the 31st largest housing group in the country[1]. The turnover of the Group's principal members is shown in Figure 1 on page 9.

The Group's Activities

Our members build, renovate and manage low-cost housing for rent and sale.

The core of our business is centered on the management of 34,600 homes — principally social housing for rent. The location of homes managed by our members is shown in Figure 2 on page 10. The Group is active in 27 local authority areas.

We work to help regenerate neighbourhoods and increase life opportunities for disadvantaged individuals and communities. Our largest members are six housing associations, regulated by the Regulator of Social Housing (RSH) and legally known as Registered Providers. The latest *Regulatory Judgement* by the RSH confirms that Jigsaw is fully compliant with the RSH's *Regulatory Standards* — our published ratings for governance and viability are 'G1' and 'V1' respectively.

We also provide a range of charitable and supported housing services to help people live independently and to successfully maintain their tenancies. This work is often funded through external contracts awarded to the Group's members, and delivered on a commercial basis.

Vision, Mission and Corporate Values

Vision

Our Vision is:

> "We want everyone to live successfully in a home they can afford."

Mission

We will do this by:

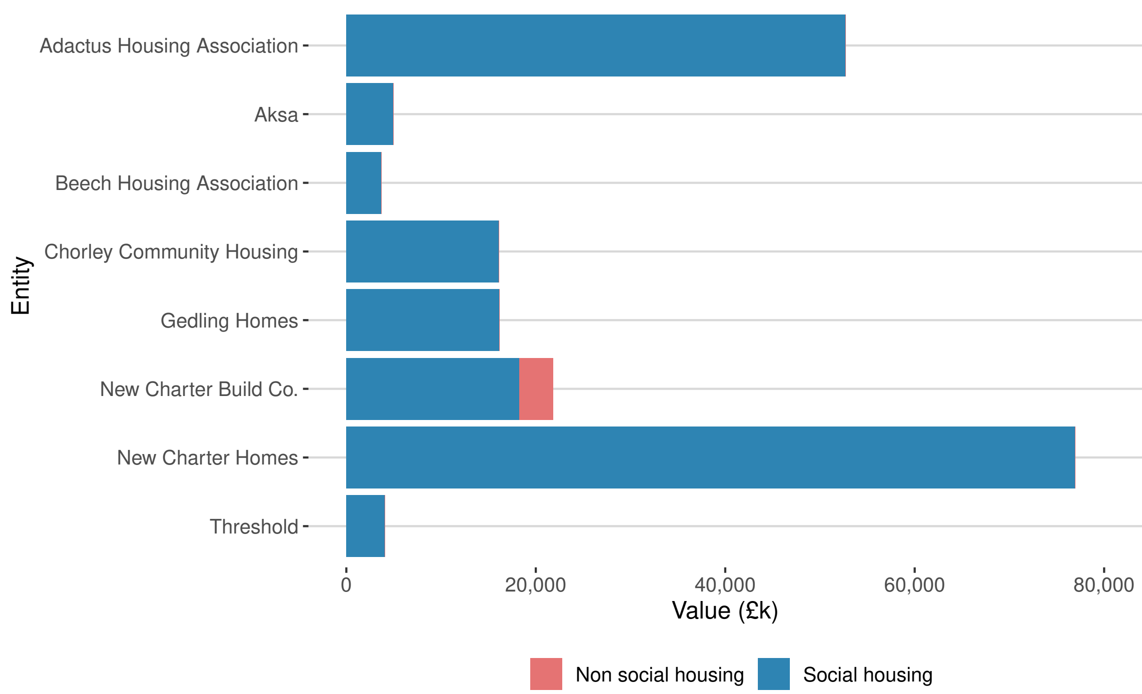
> "Creating homes. Building lives."

Corporate Values

We will ensure that the following values are evident through our work:

- Empowerment
- Social Impact
- Efficiency
- Collaboration
- Innovation

[1] https://www.gov.uk/government/publications/2018-global-accounts-of-private-registered-providers



Source: Financial Statements 2018/19.

Figure 1: Turnover analysis — the vast majority of the Group's turnover is based on social housing activities.

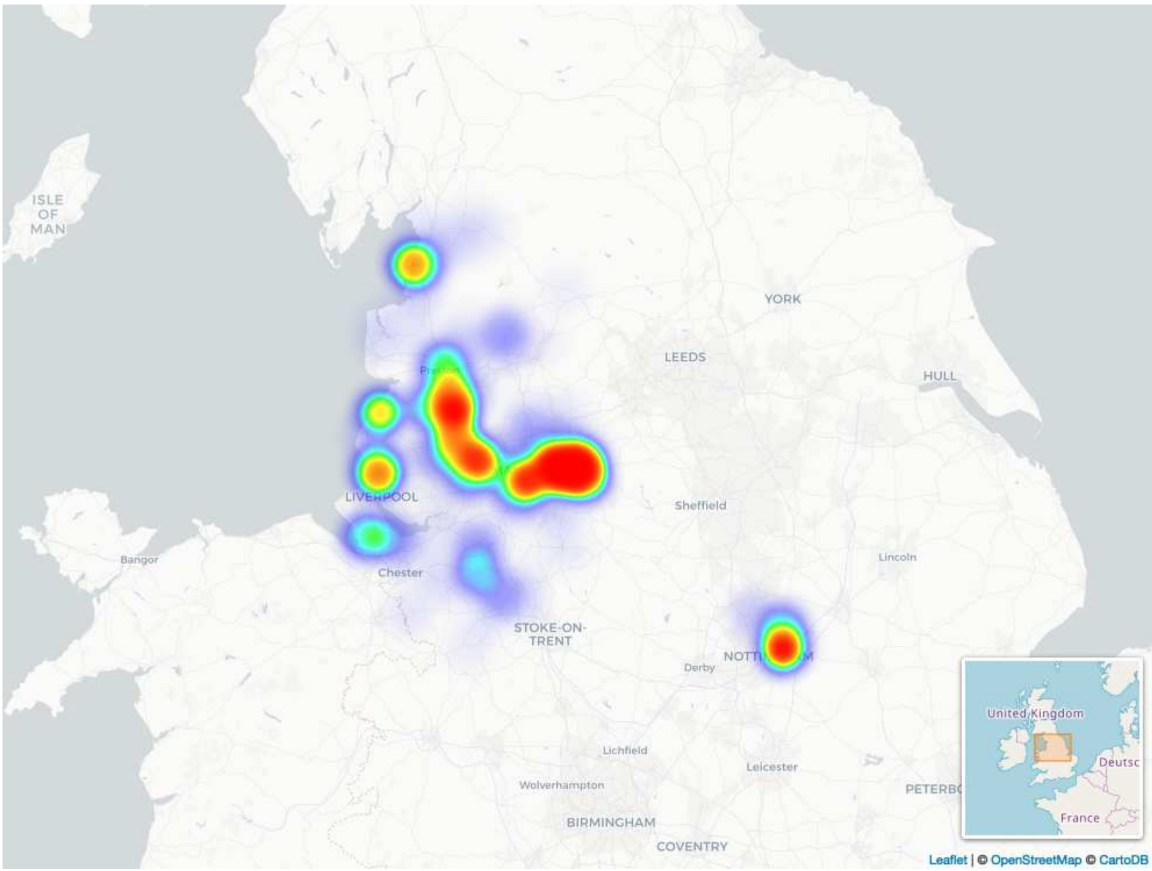


Figure 2: Location of housing stock — shading shows concentrations in Greater Manchester, Lancashire and Nottinghamshire.

2. Strategic Report

Warth Road
Bury.

Review of the Year

In this section, we review our work during 2018/19.

Delivering Value for Money

A useful definition of *Value for Money* (VFM) is provided by the National Audit Office as the:

> "optimal use of resources to achieve the intended outcomes"[2].

It follows that a well governed and managed organisation should achieve VFM by aiming to optimally use its corporate resources to deliver its defined corporate strategy.

For regulatory purposes then, the following review of our efforts to deliver our corporate strategy together with the assessment of the Group's performance against the Regulator of Social Housing's Value for Money Metrics (on pages 22–31) is our *Value for Money Statement* for 2018/19.

Corporate Strategy

The Group's *Corporate Plan*, adopted shortly after the creation of Jigsaw Homes Group, provides a long-term focus for our work. The Corporate Plan is based on the achievement of four Strategic Priorities:

- Caring for our customers, our assets and neighbourhoods
- Building a strong corporate foundation
- Valuing staff
- Growing the business

Each Strategic Priority is mapped to medium-term Goals as shown in Table 1 on page 14.

Ultimately our Strategic Priorities will be achieved by a) delivering the Key Projects approved each year within the Corporate Plan; and b) through a strong focus on operational performance. Below, we provide an account of the progress we made in each of these areas in 2018/19.

Delivery of Key Projects

Caring for Our Customers, Our Assets and Neighbourhoods

During 2018/19 the delivery of this Strategic Priority was supported by the following projects:

- Customer Contact Strategy
- Customer Insight Mechanisms
- Maintenance Delivery Model
- Neighbourhood Plan Model
- Asset Management Strategy
- Jigsaw Foundation

During the year we began work to deliver a new *Customer Contact* Strategy which perhaps most notably committed the Group to further develop its "Connect" contact centres. By remodelling the delivery of neighbourhood services and the income collection function we were able to increase the resourcing of Connect in Ashton-under-Lyne to better meet customer demands. It has been particularly pleasing to note the improved performance

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

Strategic Priority	Goal	Goal Date
Caring for our customers, our assets and neighbourhoods	Achieve an overall Net Promoter Score of 40	31/03/2021
	Maintain compliance with Decent Homes Standard	Throughout
	Launch the Jigsaw Foundation	31/03/2019
Building a strong corporate foundation	Maintain G1 V1 ratings across the Group	Throughout
	Deliver the Business Case for Merger	31/03/2023
Valuing staff	Attain three star accreditation with Best Companies	31/03/2021
Growing the business	Deliver current programmes of 2,100 homes	31/03/2021
	Prepare to deliver an additional 130+ homes on current levels of output	31/03/2021
	Leverage external funding to deliver services to vulnerable groups	Throughout

Table 1: Strategic Priorities and Goals.

of the Connect service in Ashton-under-Lyne following the additional investment made in the year, with quarterly lost calls performance improving to 6% at the year end (previous year: 21%).

We also adopted a new *Asset Management Strategy* in the year. The strategy places a primacy on the completeness and quality of the data we hold about the condition of our property portfolio. Whilst it will take some time to fully roll-out the new strategy, it has already resulted in a more granular understanding of our investment requirements and significant savings are anticipated on previous financial plan projections at Gedling Homes.

The *Jigsaw Foundation* launched in April 2019 and provides £500k of funding to support community initiatives in the Group's areas of operation. Funding is allocated according to the preferences of our customers who vote for their preferred community projects through the innovative online consultation vehicle, *Jigsaw Rewards* which formed the centre piece of our work on *Customer Insight Mechanisms* during the year.

Investment through the Jigsaw Foundation is informed by a Neighbourhood Plan Model which was also developed during the year. By combining socio-economic data with the Group's own performance data, the model helps the Group to understand the health of its neighbourhood areas.

Building a Strong Corporate Foundation

During 2018/19 the delivery of this Strategic Priority was supported by the following projects:

- Data Collection and Analysis
- Governance Review
- Disposals Policy
- Environmental Sustainability Strategy
- Influence and Partnerships Strategy
- Pensions Review
- Procurement and Stores Review
- Service Reviews
- Tenancy Strategy

Improving the transparency of the newly merged business was a key theme here, and two major projects made particularly important contributions in this regard.

First, prior to the formation of Jigsaw Homes Group, we were very conscious of the risks presented by inconsistent data. The fact that the different legacy organisations that were joining together in the new Group held and defined key pieces of performance data in different ways was an issue that needed to be addressed. To ensure full transparency within the new Group, it was vital to ensure that common performance data could be sourced and made available to the board and to management alike. The *Data Collection and Analysis Project* was able to achieve this for our Corporate Key Performance Indicators by the summer of 2018. We also began work during the year to develop interactive performance dashboards to better communicate this data with our board members.

Second, we undertook a thorough *Governance Review* with the aim of simplifying the Group's corporate structure. The Governance Review reported to the Group board in November 2018 and its approval has set a vision for what our governance structure will become in the future. Subsequent work to reduce the number of separate governance entities in the Group and to better align the skills of each board with their areas of responsibility is ongoing.

Other projects in this area were focused on delivering the Business Case for Merger by bringing the business together under common management, aligning practices across the Group, and making efficiency savings.

Perhaps of most note was the programme of *Service Reviews* undertaken throughout the year. By 31 March 2019, a common approach had been adopted for development teams, the provision of legal services, health and safety, IT, HR, governance, neighbourhood management, income collection and finance.

Valuing Staff

During 2018/19 the delivery of this Strategic Priority was supported by the following projects:

- Communications Strategy
- Integrated Management and Pay Structure
- People Strategy

The main focus of all three projects in this area has been to both enable the organisational change envisaged prior to merger to happen, and to also support staff through the period of change.

The dissemination of the new Group's Vision and its Values was a key feature of the *Communications Strategy*.

The *Service Review* programme introduced more efficient and economic working practices throughout the business. One of the consequences of this was that during the year, the Group's net headcount reduction by 128 to 1,353. Staff reductions were achieved in the main through a combination of holding vacancies created through natural staff churn and voluntary redundancies.

The adoption of new working practices across the Group required significant efforts to be placed on staff training during the year and this became a major focus of the Group's new *People Strategy*. In total 7,479 hours of staff training were undertaken during the year.

An *Integrated Management and Pay Structure* was developed during the year and applied to those areas of the business which were subject to Service Reviews. Work to align pay across the Group will complete in 2019/20.

We feel that it is important to recognise the success brought to the organisation through the hard work of our employees. To this end we celebrated four significant industry awards which relate to our work in 2018/19:

- A Customer Contact Association Bronze Award for our Connect contact centre service.
- Recognition of the "Best Resident Involvement Initiative" for Jigsaw Rewards at the Northern Housing Awards.
- "Homelessness Project of the Year" for Threshold's Housing First project at the UK Housing Awards.
- "Care and Support Provider of the Year" for Motiv8 at the 24 Housing Awards.

Growing the Business

During 2018/19 the delivery of this Strategic Priority was supported by the following projects:

- Development Strategy
- Financial Capacity Review
- Treasury Structures Option Appraisal
- Building Company Strategy
- Social Business Strategy

A *Development Strategy* was adopted in the autumn of 2018. The strategy supported the delivery of 556 new homes in the year, and we plan to resource a further 2,177 by 2022.

We are actively seeking to develop in 27 local authority areas throughout the North West and East Midlands.

Projects to undertake a *Financial Capacity Review* and a *Treasury Structures Options Appraisal* made good progress during the year. Significant new development opportunities exist in the borough of Gedling and its neighbouring areas. To this end we worked with Lloyds during the year to adopt new financing arrangements for Gedling Homes which will enable the Association to significantly increase its ability to build more homes.

Other work in this area focused on increasing the overall ability of the Group to develop into the future by increasing the Group's borrowing capacity. The board received an initial report on this matter in December 2018 and agreed that a Group Treasury Vehicle should be progressed in 2019/20.

A *Social Business Strategy* was adopted in November 2018 to provide a strategic framework for the Group's contract funded work to help meet the needs of vulnerable people, adding value to the landlord services we provide. The strategy commits the Group to both consolidating existing contracts and to provide further targeted service provision in:

- Homelessness and housing advice services.
- Supported accommodation.
- Domestic abuse support.
- Employment support.
- Family support.
- Health services.

Work on a *Building Company Strategy* was deferred to 2019/20.

Operational Performance

The Group has established a suite of performance measures which are monitored by the board and by Risk &

	Priority	KPI	Target	Actual
Caring for our customers, our assets and neighbourhoods				
	Very high	Current Tenant Arrears	2.5%	2.3%
	Very high	Customer Net Promoter Score	40	29
	Very high	Income Collected	99%	100.2%
	High	Out of Date Fire Risk Assessments	0	0
	High	Satisfaction with Repairs	88%	89%
	High	Void loss	1%	0.8%
	Medium	Average Time for Non Emergency Repairs	13 days	11 days
	Medium	Emergencies Attended and Made Safe within 24hrs	97%	98%
	Medium	Energy Performance of Stock No. Properties Below EPC Level D	288	199
	Medium	Enquiry Resolved at First Point of Contact	70%	76%
	Medium	Lost/Abandoned Calls	15%	7.7%
	Medium	Median Void Loss General Needs	£ 300	£ 280
	Medium	Median Void Loss Retirement Living	£ 400	£ 361
	Medium	Median Void Loss Supported	£ 100	£ 73
	Medium	Progress of Planned Programme	8,071	7,071
	Medium	Properties with Invalid Gas Certificates during Reporting Period	-	199
	Medium	Responsive and Void Cost Per Unit	£ 576	£ 615
	Medium	RIDDOR incidents	0	0
	Medium	Satisfaction with handling of ASB Case	70%	82%
Building a strong corporate foundation				
●	Very high	EBITDA MRI Interest Cover	177.85%	207.47%
●	Very high	Gearing	51.06%	49.51%
●	Very high	Headline Social Housing Cost Per Unit	£ 3,236	£ 2,862
●	Very high	Operating Margin	35.4%	35.3%
●	High	Return on Capital Employed	4.67%	4.90%
Valuing staff				
	Medium	Staff Churn	-	4.7%
	Medium	Staff Net Promoter Score	-	-
	Medium	Staff Sickness	-	3.7%
Growing the business				
●	High	New Supply Delivered	1.04%	1.64%
	High	Units Delivered	580	556
●	High	Reinvestment	5.93%	4.61%

● Value for Money metric

JHG

Red text indicates out of target performance

Table 2: KPI performance at the year end.

Audit Committee on a quarterly basis. Year-end performance is shown in Table 2 on page 18 and is discussed below.

Caring for Our Customers, Our Assets and Neighbourhoods

Table 2 on page 18 shows that 16 of the 19 KPIs established to monitor the delivery of this strategic objective were achieved in the year. Consequently, the board is satisfied with performance in this area and would highlight the following areas of positive performance for particular note:

During the year, rent lost due to empty properties — (*Void Loss*) — was 0.8%, within the board's target of 1% [3]. This supported the Group's ability to let homes effectively with 3,037 properties re-let in the year. We estimate the social value generated for tenants from new lettings in the year to be £3.6m.

Tenancy services are generally accessed via the Group's contact centre, Connect. *Lost Calls* performance improved notably in the year and exceeded the board's expectations, hitting 7% against a target of 15%. More than 75% of all enquiries were resolved 'right first time' and customer satisfaction with the service stood at 92.9% at the year end.

With regard to out of target KPIs, the following areas of challenge are of most interest:

In setting a target of 40 for *Customer Net Promoter Score* shortly after merger, the board were aware that this was likely to prove to be a stretching target and this has proven to be the case. Performance against this measure at the year end was below target at 28. The board remains committed to achieving a Net Promoter Score of 40 by 31/03/2021 and expects that this will be achieved as the Group's new operational model becomes embedded.

Since the Grenfell Tower fire, the Group — along with its peers in the sector — has found that the recommendations arising from routine fire risk assessments have increased in both their scope and cost. In order to fund this increase in work, there was a need in the year to reallocate expenditure on assets at New Charter Homes and Gedling Homes. This reallocation of expenditure resulted in less spend on non-essential planned maintenance and consequently the target for *Progress of Planned Programme* was not achieved.

Building a Strong Corporate Foundation

The board is pleased to report that Group remains financially robust, well managed and has made a strong start in its first year of delivering its Business Case for Merger. Table 2 on the next page shows that four of the five KPIs established to monitor the delivery of this strategic objective were achieved in the year. As the out of target performance was only marginal, the board is very satisfied with performance in this area. *Operating Surplus* is in line with original forecasts and amounted to £59.7m or 33.1% of turnover.

A summary of the Group's recent financial results are shown in Table 3 on page 19 and highlights of the Group's financial position are shown in Table 4 on page 19[4].

The board is pleased to report that *Total Comprehensive Income* is above original forecasts and amounted to £27.4m or 15.2% of turnover.

Jigsaw holds a rating with Moody's Investors Service of "A3 with Positive Outlook".

[3] Void loss KPI excludes non-residential, managed and low cost home ownership properties
[4] Readers should note that the figures prior 2019 relate solely to Adactus Housing Group Ltd.

Year	Turnover	Operating expenditure	Operating surplus	Total comp. income	Total comp. income
	£'000	£'000	%	£'000	%
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	171,723	117,548	34	28,335	17
2019	**180,256**	**122,693**	**33**	**27,433**	**15**

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

Table 3: Five-year financial performance

Year	2019	2018	2017	2016	2015
Housing properties at cost	1,346,984	732,218	632,190	577,528	530,635
Properties for sale	6,166	3,280	1,208	2,147	5,289
Cash at bank and short-term deposits	80,662	43,331	43,997	47,685	26,257
Creditors amounts falling due within one year	38,654	34,373	29,897	24,991	19,415
Net current assets / (liabilities)	85,105	22,182	28,289	35,314	31,889
Total assets less current liabilities	1,321,959	642,469	605,364	563,123	517,986
Creditors amounts falling due after more than one year	930,802	525,883	507,167	483,488	453,195
Capital and reserves	331,506	113,868	95,209	77,969	62,157

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

Table 4: Consolidated financial position.

With regard to loan finance, during the year the Group repaid £27.7m in line with agreed debt profiles. £30.9m of loan finance was draw-down in the year. At the year-end debt borrowings amounted to £679.8m, maturing as outlined in the notes to the Financial Statements on page 77.

Valuing Staff

KPIs for this strategic priority were established during year so that the board could monitor staff sentiment. In a year of radical change however, the board decided against setting targets.

With staff reductions across the Group during the year, the board recognises that this has understandably been a difficult period for some employees. It is pleased to report however that the Group's *Service Review* programme made good progress in 2018/19. Consequently 2019/20 will prove to be a less uncertain year for the Group's employees.

Growing the Business

Table 2 shows that two of the three KPIs established to monitor the delivery of this strategic objective were achieved in the year. The KPI target for *Reinvestment* was not achieved as a result of the reallocation of planned maintenance expenditure discussed earlier. As development targets were exceeded however, the board is satisfied with performance in this area and would highlight the following areas of positive performance for particular note:

In 2018/19 the Group's members delivered 556 units of affordable housing, as shown in Figure 3 on page 20.

The economic impact of housing

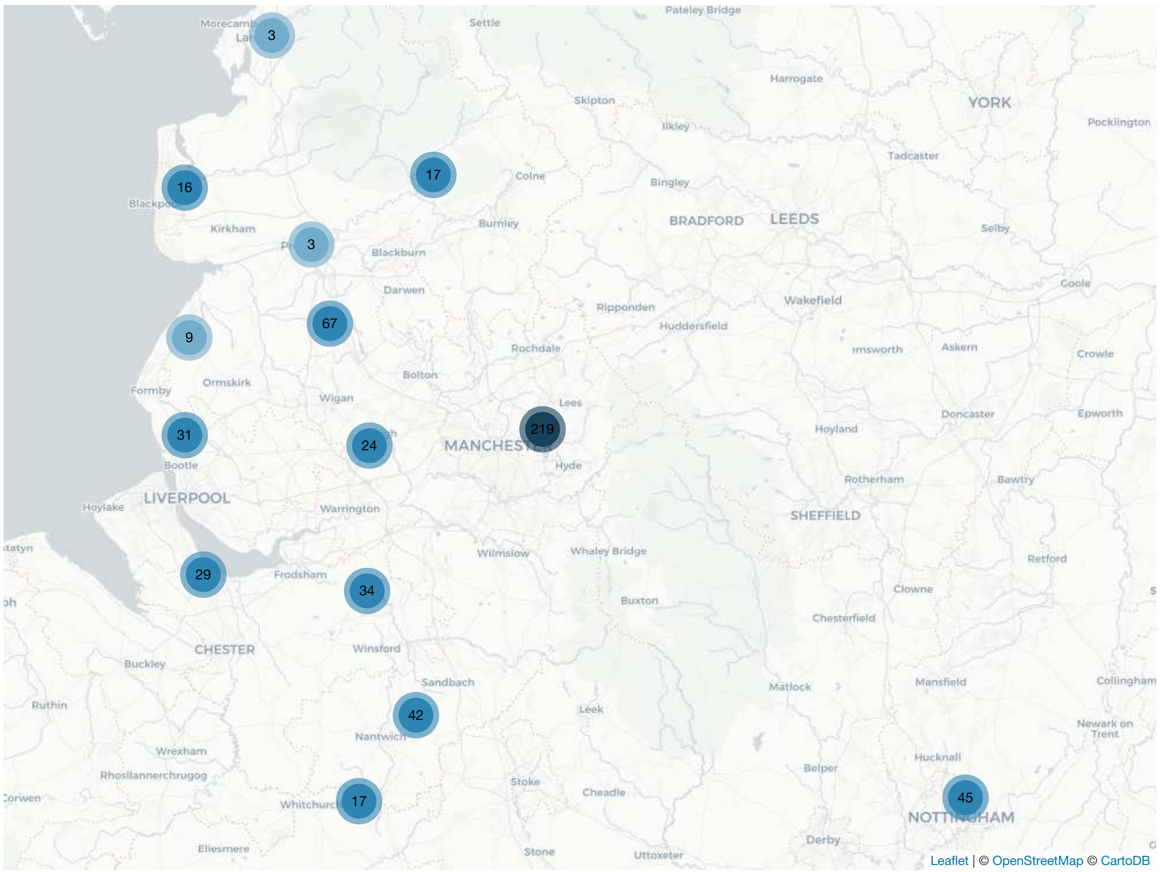


Figure 3: New affordable housing delivered in 2018/19.

Figure 4: Good design in new housing 2018/19.

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 page 22 and is clearly significant. 1,178 jobs are estimated to have been supported through the Group's investment in new development in the year.

Homes provided	Jobs supported	Impact
556	1,178	£52.4m

Table 5: Local economic impact of housing development 2018/19.

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

The social value generated from improving the lives of tenants rehoused into the Group's new developments in the year is estimated to be in the region of £795,245 per annum.

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 4 on the preceding page presents a selection of the new housing delivered by the Group's members in 2018/19, showcasing high design standards.

The Group's development strategy will yield 2,177 new affordable homes between 2019 and 2022.

This is expected to inject an additional £205m into the local economies, supporting in excess of 4,620 jobs per annum, and providing social value to new tenants of up to £4.35m per annum.

At 31 March 2019, 553 properties were on-site.

Value for Money Metrics

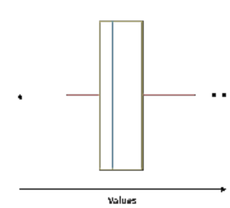
The board has considered the latest annual financial benchmark information published by the Regulator of Social Housing (RSH)[6]. For the first time, this information includes a series of VFM metrics covering the 'value for money cost chain' areas of *economy*, *efficiency* and *effectiveness*.

The published data relates to the 2017/18 financial year which came to a close before Jigsaw Homes Group was formed through the merger of New Charter Housing Trust and Adactus Housing Group. *Proforma* results have however been calculated for Jigsaw to show the metrics that would have been recorded for the Group had it existed at that time. The data is summarised in Table 6 on the next page and is analysed in greater detail in the remainder of this section.

The analysis has informed the Group's corporate planning process and has reaffirmed its focus on how future VFM gains will be made in the business.

Interpreting Box Plots

Box plots are used in the analysis below to efficiently summarise benchmark information. Readers who are unfamiliar with the use of boxplots may find the following explanation useful:



- The blue vertical line represents the median value in the dataset.

[5] http://www.housing.org.uk/topics/research/economic-impact-tool/

[6] https://www.gov.uk/government/publications/2018-global-accounts-of-private-registered-providers

Metric	AHA	Aksa	BHA	CCH	GH	NCH	Jigsaw (Proforma)
Economy							
Headline Social Housing Cost per Unit	£2.55k	£2.76k	£1.56k	£2.01k	£3.39k	£3.10k	£2.80k
Efficiency							
Return on Capital Employed	4.6%	7.3%	4.6%	6.8%	7.0%	4.2%	4.8%
Operating Margin — overall	41.5%	36.1%	43.8%	46.0%	26.4%	25.6%	33.1%
Operating Margin — social housing lettings	43.7%	37.3%	43.5%	44.4%	26.2%	26.1%	33.6%
Gearing	38.2%	47.2%	34.9%	63.7%	22.8%	66.6%	41.1%
Reinvestment	8.2%	11.9%	0.2%	21.0%	17.1%	4.4%	8.0%
Interest Cover	205%	268%	194%	217%	276%	129%	169%
Effectiveness							
New Supply — non-social housing	0%	0%	0%	0%	0%	0%	0%
New Supply — social housing	5.4%	0.7%	0%	9.3%	1.2%	0.6%	4.9%

Table 6: 2017/18 VFM metric results.

- The gold box shows where 50% of the data lies, in the second and third quartiles — known as the 'interquartile range'.
- By convention, the red horizontal line extends to show the location of data points that place within 1.5 times the interquartile range.
- Black dots are data points which lie beyond 1.5 times the interquartile range, known as 'outliers'.

Economy

The RSH publishes a single metric to enable housing associations to benchmark costs, known as *Headline Social Housing Cost Per Unit*.

Figure 5 on page 24 shows the distribution of the performance of all 290 large housing associations as measured by this metric within the published dataset. The performance of Jigsaw Group members is indicated by the coloured diamonds and an estimate of consolidated group performance is shown by the outlined diamond (very close to the result for Aksa Homes).

Analysis

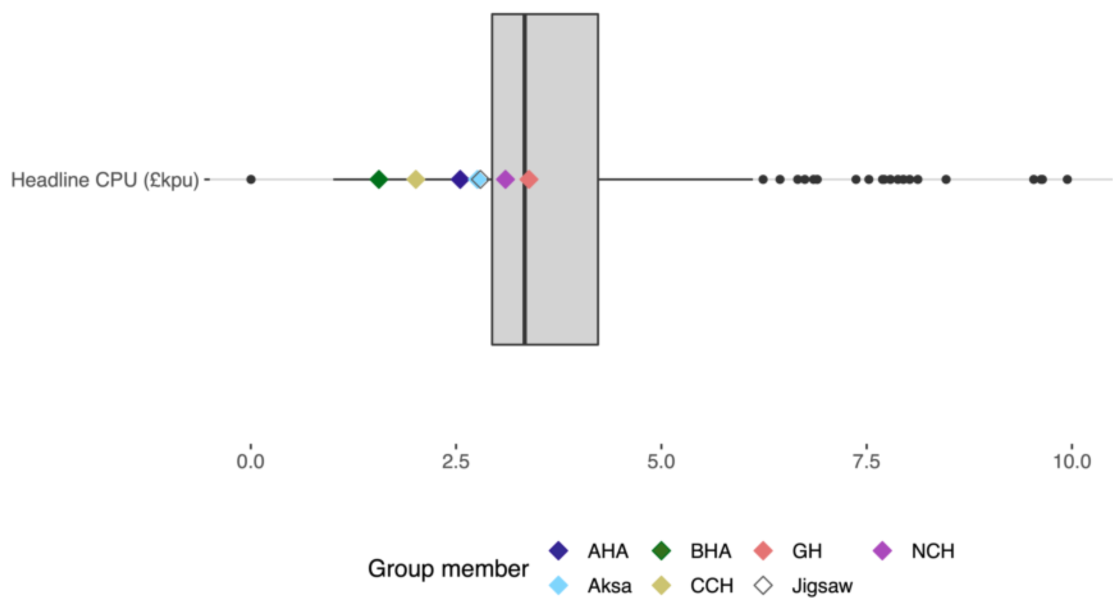
Sector Benchmarking

In comparison to the sector as a whole, overall the Group's members compare well, with the Group's consolidated result placing it within the lowest cost quartile.

Chorley Community Housing, Beech Housing Association, Adactus Housing Association and Aksa Homes are seen to perform within the lowest cost quartile. New Charter Homes performs better than the sector median. Gedling Homes records a *Headline Social Housing Cost Per Unit* slightly above the sector median.

In order to gain further insight into performance against this metric, the Group

[7] The methodology used was based on the RSH model published in *Value for Money metrics – Technical regression report*, 2018 and uses the proportion of housing for older people, supported housing, the regional



Source: 2018 Global Accounts — Value for Money metrics data file, RSH, comparison with 290 organisations (Aksa has been added to the published figures).

Figure 5: Benchmarking Economy.

has developed a regression model based on the sector's performance[7]. The model's output should be interpreted with caution as it only explains c.55% of the variation in the dataset — this level of performance is however comparable to the model published by the RSH.

The regression model indicates that the actual *Headline Social Housing Cost Per Unit* results recorded are lower than expected for:

- Adactus Housing Association;
- Beech Housing Association; and
- Chorley Community Housing.

Headline Social Housing Cost Per Unit results are higher than expected with respect to:

- Aksa Homes; and
- New Charter Homes.

The result for New Charter Homes is particularly interesting given that a simple peer benchmarking exercise with other stock transfer associations of a similar age in the North West shows that the Association has a lower *Headline Social Housing Cost Per Unit* than the peer average (£3.1k pu versus the peer median of £3.4k pu). It is explained however by the fact that the Association manages relatively low levels of housing for older people and supported housing[8].

Despite placing slightly above the sector's median costs, the performance of Gedling Homes was as expected by the model. This

wage index and the age of stock transfer associations as explanatory variables. Unfortunately the RSH are unable to publish a further variable based on the index of multiple deprivation so this is not used in the Jigsaw model.

[8]The model associates low proportions of housing for older people and supported housing with lower costs.

is largely explained by the relatively high proportion of housing for older people within Gedling Home's portfolio, comprising 26.1% of total homes[9].

Intra-Group Benchmarking

There are some significant differences between the performance of group members on this measure.

Generally speaking, there is a split in performance between legacy Adactus Housing Group members and those of legacy New Charter Housing Trust. This split was well known to the board prior to merger and indeed underlies the economic rationale for the *Business Case for Merger*. The Group is confident that significant progress against this measure will be achieved, primarily through a programme of *Service Reviews* which commenced post-merger and will complete in 2019/20. The service review programme will introduce common, economic approaches to the delivery of services across the Group.

Further analysis of the data highlights the following points which are of interest:

- The gap between between Adactus Housing Association and New Charter Homes, the two largest landlords in the Group, is c. £500 per unit.
- Beech Housing Association's costs are relatively low due to the fact that its housing stock includes a large proportion of shared ownership and leasehold housing for which the Association has limited repairs obligations, leading to lower repairs and maintenance costs.
- Chorley Community Housing's performance on this measure appears to benefit from the relatively high proportion of newer stock within its portfolio, helping to reduce maintenance costs. Per unit costs for responsive repairs for example are half those of group member Gedling Homes, a similar organisation.
- The per unit planned maintenance costs for Aksa Homes of £480 pu are significantly lower than those of fellow legacy New Charter Housing Trust members, Gedling Homes and New Charter Homes (£1.3k pu and £1.1k pu respectively). This seems likely to be a reflection of the lower age of stock owned by Aksa Homes which is on average half the age of the other legacy New Charter Housing Trust members.

Impact of Diversification

The Miles Platting Private Finance Initiative (PFI) contract managed by Adactus Housing Association is classified as 'social housing' and therefore has some impact on the *Headline Social Housing Cost Per Unit* for the Association.

The cost per unit within the PFI area is much higher than the cost of the Association's stock elsewhere due to the high specification of the contract (£3.4k pu versus £2.4k pu). The effect of the contract is therefore to increase Adactus Housing Association's *Headline Social Housing Cost Per Unit* from £2.4k pu to the reported £2.6k pu.

Diversified activities elsewhere in the Group are not categorised as 'social housing' and do not therefore effect this metric.

[9] As this percentage increases by a single percentage point, the model expects per unit costs to increase by £35.

Efficiency

The RSH publishes a basket of measures to enable housing associations to benchmark efficiency:

- Return on Capital Employed
- Operating Margin — overall
- Operating Margin — from social housing lettings
- Gearing
- Reinvestment; and
- Interest Cover.

Figure 6 and Figure 7 on page 27 and on page 27 show the distribution of the performance of all 290 large housing associations as measured by these metrics within the published dataset. The performance of Jigsaw Group members is indicated by the coloured diamonds and an estimate of consolidated group performance is shown by the outlined diamonds.

Analysis

Sector Benchmarking

In comparison to the sector as a whole, overall the Group's members compare well, with the Group's consolidated results consistently achieving better than the sector's median results with the single exception of *Interest Cover*.

Top quartile performance is seen for:

- Adactus Housing Association — on both measures of Operating Margin.
- Aksa Homes — on Reinvestment; and Interest Cover.
- Beech Housing Association — on both measures of Operating Margin.
- Chorley Community Housing — on Return on Capital Employed; both measures of Operating Margin; and Reinvestment.
- Gedling Homes — on Return on Capital Employed; Gearing; Reinvestment; and Interest Cover.

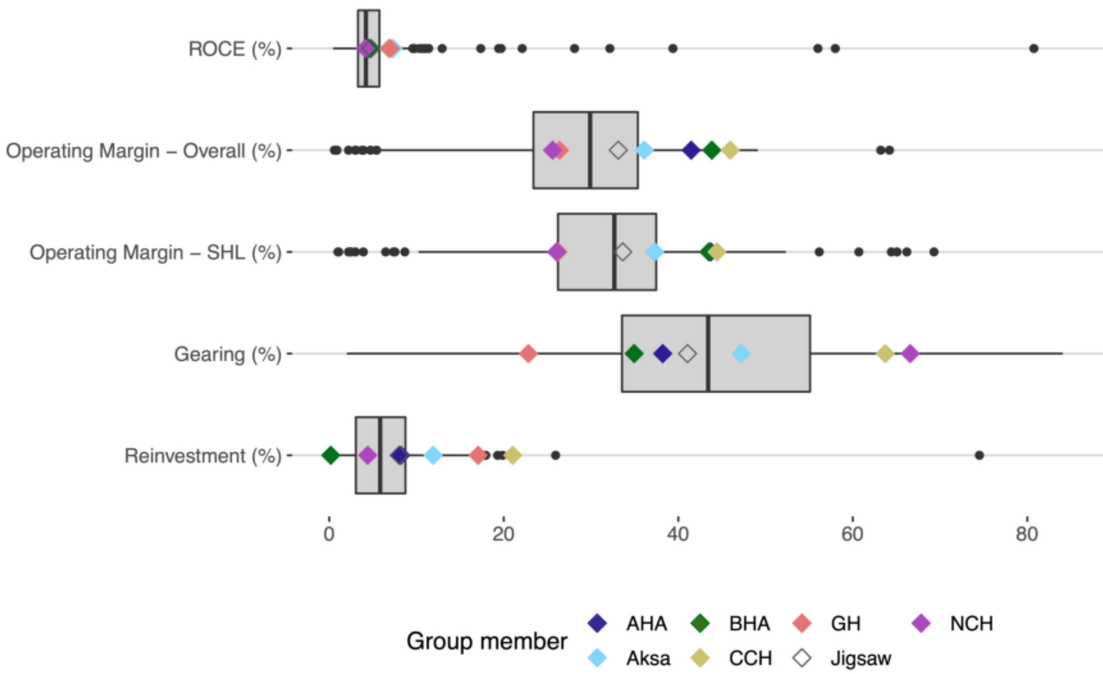
Bottom quartile performance is seen for:

- Beech Housing Association — on Reinvestment.
- Chorley Community Housing — on Gearing.
- New Charter Homes — on Operating Margin from social housing lettings; Gearing; and Interest Cover.

Beech Housing Association's low *Reinvestment* result is partly due to the Association's low maintenance costs — a consequence of the high proportion of shared ownership and leasehold management properties within its portfolio. It is also a result of the Association's current strategy to pause developments until its Gearing ratio improves to help new funding to be secured.

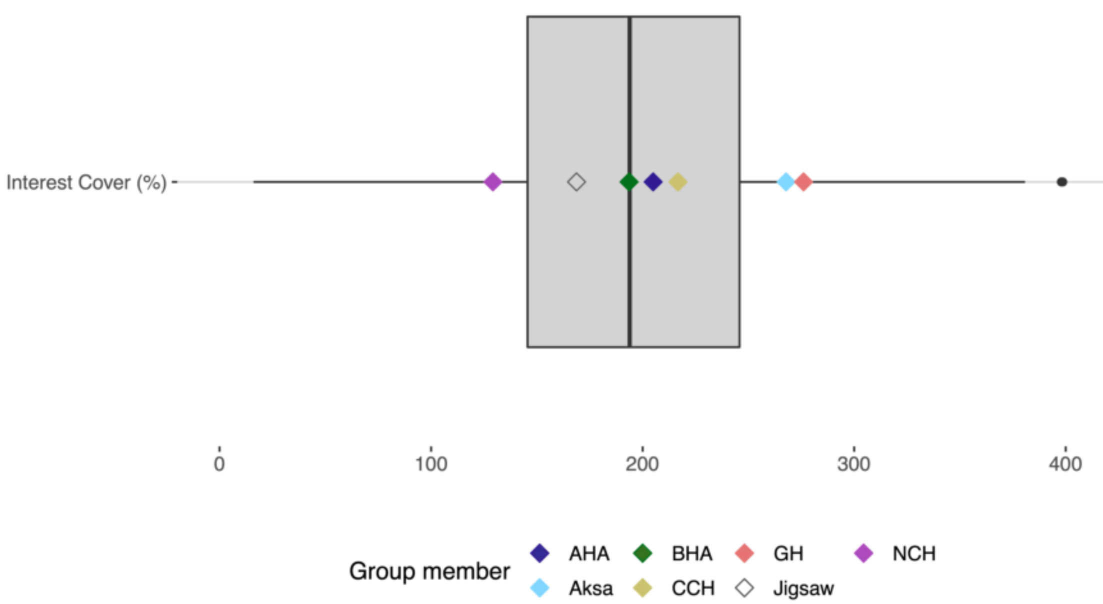
The high *Gearing* results for both Chorley Community Housing and New Charter Homes are a consequence of the relatively low values of both Associations' housing stock. It should be noted however that neither Association is subject to a restrictive Gearing loan covenant.

The low *Operating Margin — Social Housing Lettings* recorded for New Charter Homes is the result of it having close to the national median costs for the sector but lower per unit turnover due to relatively low regional rent levels.



Source: 2018 Global Accounts — Value for Money metrics data file, RSH, comparison with 290 organisations (Aksa has been added to the published figures).

Figure 6: Benchmarking Efficiency.



Source: 2018 Global Accounts — Value for Money metrics data file, RSH, comparison with 290 organisations (Aksa has been added to the published figures).

Figure 7: Benchmarking Efficiency.

Finally, the low *Interest Cover* recorded for New Charter Homes is a consequence of low surplus generation per unit — itself the result of a relatively high cost base — in comparison to the income generated from the Association's assets.

Intra-Group Benchmarking

Some of the differences observed between Group members reflect the different histories of each organisation — notably, the differing historic bases used to value the stock held by Group members. The result of this is that the stock transfer members of the Group have lower per unit valuations than the traditional housing associations in the Group. This makes it difficult to make simple comparisons with respect to many of the RSH metrics that use the value of housing assets in their calculation.

There is a very clear distinction however — and again this is broadly between the legacy Adactus Housing Group members and those of legacy New Charter Housing Trust — with regard to the level of operating surplus generated from each organisation. All of the legacy Adactus Housing Group members record results against these metrics in the top performing quartile whereas two of the three legacy New Charter Housing Trust members perform below the sector's median performance.

New Charter Homes also stands separate from other Group members with its *Interest Cover* performance which is in the lower performing quartile. This single result skews the Group's otherwise better than median position to below the median.

Positively, Gedling Homes performs strongly with respect to both *Gearing* and *Interest Cover*. The Association has low levels of debt per unit and potentially has untapped financial capacity, an opportunity that the *Group Treasury Vehicle* project seeks to release.

Impact of Diversification

Adactus Housing Association — the following metrics are positively impacted by the Association's PFI contract:

- *Return on Capital Employed*. The contract performance provides an additional £2.2m of operating surplus without impacting on assets or liabilities. The contract therefore increases this metric from 4.1% to 4.6%.
- *Interest Cover*. The contract provides an additional £2.2m of operating surplus without impacting on interest costs. The contract therefore increases this metric from 185% to 205%.

The following metrics are negatively impacted by the Association's PFI contract:

- *Operating Margin — overall*. The contract achieves an operating margin of 32.5% and therefore reduces this metric from 42.9% to 41.5%.

New Charter Homes — the following metrics are positively impacted by the Association's non-social housing activities:

- *Return on Capital Employed*. Non-social housing provides an additional £0.6m of operating surplus without impacting on assets or liabilities. Non-social housing therefore increases this metric from 4.0% to 4.2%.
- *Interest Cover*. Non-social housing provides an additional £0.6m of operating surplus without impacting on interest costs. Non-social housing theerfore increases this metric from 126% to 129%.

The following metrics are negatively impacted by the Association's non-social housing activities:

- *Operating Margin — overall*. Non-social housing achieves an operating margin of 12.4% and therefore reduces this metric from 26.4% to 25.6%.

Effectiveness

The RSH publishes two measures to enable housing associations to benchmark effectiveness:

- New Supply — non social housing
- New Supply — social housing

Figure 8 on page 30 shows the distribution of the performance of all 290 large housing associations as measured by these metrics within the published dataset. The performance of Jigsaw Group members is indicated by the coloured diamonds and an estimate of consolidated group performance is shown by the outlined diamonds.

Analysis

Sector Benchmarking

In comparison to the sector as a whole, overall the Group's members compare well, with the Group's consolidated results placing it on the median value for the supply of non-social housing (that is to say at zero), but well within the top performing quartile for the delivery of new social housing.

Chorley Community Housing, Aksa Homes and Adactus Housing Association are seen to perform within the top performing quartile. Gedling Homes performs slightly above the sector median, whereas New Charter Homes is somewhat below median performance. Beech Housing Association performs within the bottom quartile with no units developed in the year.

Intra-Group Benchmarking

Beech Housing Association is in an unusual position in the Group as the only housing association Group member that is currently not developing. Having used all of its existing loan facilities prior to the formation of Jigsaw, its board took a decision to pause future development programmes to give the Association time to recover its Gearing ratio to more attractive levels before seeking new finance.

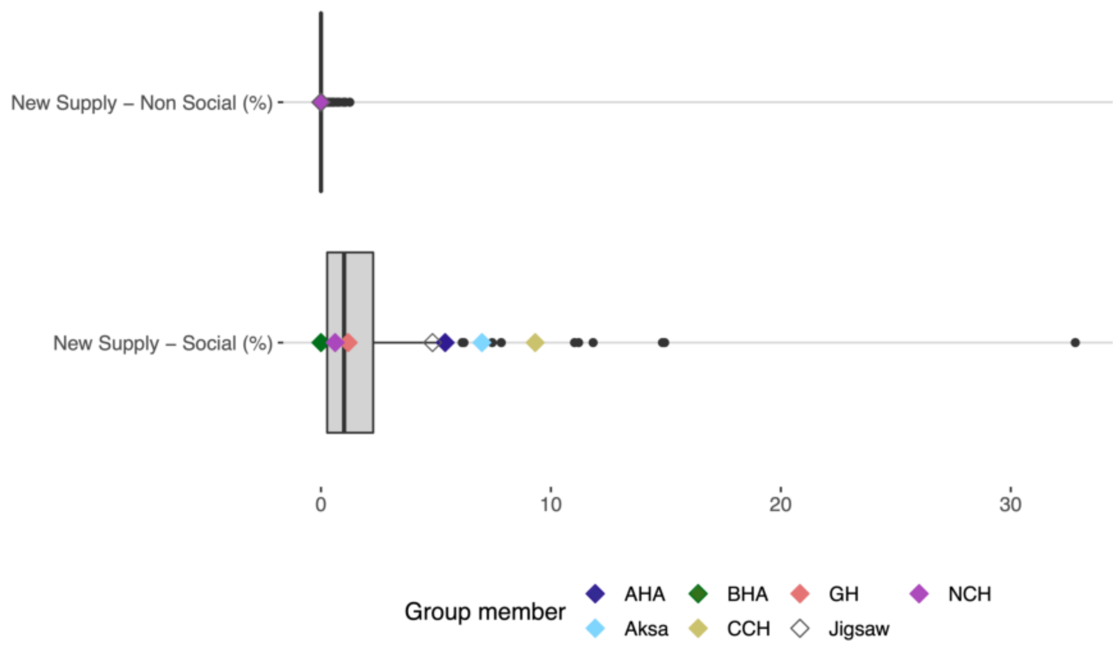
Elsewhere in the Group, the financial covenants in place during 2017/18 at both Gedling Homes and New Charter Homes acted to limit development ambitions.

This has since been addressed during 2019 at Gedling Homes with the completion of new funding arrangements with Lloyds. Further ongoing work to introduce a new *Group Treasury Vehicle* will address the issues identified at Beech Housing Association and New Charter Homes.

As might be expected, those members of the Group with higher *Operating Surplus* performance and lower cost bases tend to have a greater capacity to deliver more housing development.

Impact of Diversification

There is no direct impact on the VFM metrics for effectiveness through the Group's diversified activities.



Source: 2018 Global Accounts — Value for Money metrics data file, RSH, comparison with 290 organisations (Aksa has been added to the published figures).

Figure 8: Benchmarking Effectiveness.

Conclusions from VFM Metrics Analysis

Taken together, Jigsaw Homes Group's *proforma* performance against the VFM metrics is strong, placing in the top performing quartile on the RSH's metric for *economy* and on one of the two metrics for *effectiveness*. Elsewhere across the remaining seven metrics performance tends to be at better than the sector's median levels with two exceptions:

- New Supply - Non Social (which places on the median result); and
- Interest Cover.

Focus at the Group level obscures a more nuanced position at subsidiary level however where real opportunities for improvements can be identified:

Intra-group benchmarking reveals that New Charter Homes performs with relative weakness across the majority of the metrics. The underlying reason for this is that the Association's cost base is fairly typical of the sector at a *national* level, but its income and asset base are at lower North West *regional* values.

It is in this context in particular that the Group's post-merger work to undertake a programme of *Service Reviews* should be understood. The Service Reviews will introduce common, economic approaches to the delivery of services across the Group and should yield future reductions in costs per unit and greater surpluses which will lead to improvements across many of the VFM metrics.

The analysis shows that Gedling Homes performs very well against metrics for *Interest Cover* and *Gearing*. This indicates that the Association has untapped financial capacity which it was prevented from accessing through the cash-based loan covenant in place during 2017/18. This capacity has since been released with the completion of new funding arrangements in 2019. Further improvements will be made through work to introduce a *Group Treasury Vehicle*.

The Group anticipates that this work will help its members deliver greater numbers of new housing which will help it to maintain strong performance with respect to the metric for *New Supply of Social Housing*.

It is also of interest that both Aksa Homes and Chorley Community Housing record lower responsive maintenance costs per unit than other Group peers. Both organisations own relatively high proportions of newer stock and this points to an ancillary but significant benefit of the Group's efforts to deliver more new homes through its ambitious *Development Strategy*.

Finally, the analysis highlights the differing approaches to diversification undertaken by the legacy Groups that joined to form Jigsaw:

At Adactus Housing Group the main area of diversification was the Miles Platting PFI contract. This contract, whilst more expensive to manage than the Group's 'normal' housing stock, remains social housing work and provides fairly typical returns for the sector.

At New Charter Homes Group, the main areas of diversification had focused on the care and support sector, providing low margins but providing essential, and potentially life changing services.

Both approaches to diversification represent valid choices made by board members, and both help to increase the Group's overall surpluses.

Future Plans

The board approved minor revisions to its *Corporate Plan* in June 2019. The Plan reaffirmed the organisation's commitment to the Corporate Goals listed in Table 1 on page 14 with the exception that as the Jigsaw Foundation has been succesfully launched, the corresponding Goal was updated to "Provide £1.5m investment into community projects" by 31/03/2022.

As part of the new Corporate Plan, the VFM targets shown in Table 7 on page 32 were also adopted for the period to 2021/22.

An abridged version of the Group's Corporate Plan is available on the Group's website.

		Targets		
Metric	2018/19	2019/20	2020/21	2021/22
Reinvestment	5.0%	8.4%	5.7%	6.5%
New supply delivered	1.6%	1.8%	2.2%	2.3%
Gearing	44.0%	48.9%	46.5%	45.7%
EBITDA MRI Interest Cover	97.9%	211.4%	261.8%	267.9%
Headline social housing cost per unit	£4.7k	£2.7k	£2.7k	£2.7k%
Operating Margin	30.2%	33.8%	34.6%	36.7%
Return on capital employed	4.6%	4.5%	5.2%	5.2%

Table 7: VFM metric targets.

3. Governance

Miles Platting bake off

Local children join in the holiday fun baking their own cookies.

Governance Structure

Jigsaw Homes Group Limited is the Parent of Jigsaw Homes Group. The Group's current corporate and governance structure is shown in Figure 9 on page 36. Figure 9 highlights how the Group uses overlapped boards to simplify its governance arrangements and to make the best use of the shared skill-set of our board members, trustees, and directors.

A *Governance Review* was undertaken in 2018 with the aim of simplifying the Group's corporate structure. During 2019/20 we will implement the recommendations of the Review and work towards the implementation of a new corporate structure as shown in Figure 10 on page 36 alongside further harmonisation of our governance arrangements.

Current Board Members

Fay Selvan

Chair of the Group board

Attendance: 6/6 meetings

Fay is chief executive of the Big Life Group which is a social enterprise with the mission of changing lives. It provides services for health and well-being, skills and employment, children and families. Fay is also the Chair of the International Network of Street Papers, and a non-executive director of the Children and Family Court Advisory and Support Service.

Dave Addy

Attendance: 6/6 meetings

Dave has wide ranging public sector experience both as an executive. This includes work as chief executive of the NHS Pensions Agency and as a regional director of the Legal Services Commission. His non-executive experience includes service for the West Pennine Citizens Advice Bureau and the University of Salford Students Union.

Roli Barker

Chair of the North board

Joined the board in June 2019

Roli is an experienced project manager who has worked on a range of projects from international corporate events to the London 2012 Olympic and Paralympic Games. Roli is currently working on the design, implementation and delivery of a £1.2 million project to transform Greater Manchester's private rented sector. During her career, Roli has been able to develop a range of skills, including working with local communities, developing relationships with key stakeholders and fundraising. Roli is a fellow of the Royal Society of Arts and a member of the Institute of Fundraising.

Gill Brown

Chair of the Commercial board

Attendance: 6/6 meetings

Gill is the Governing Body lead for patient and public participation for Southport and Formby Clinical Commissioning Group. Prior to this role, she was chief executive for Healthwatch Lancashire, which acts as the public voice for health and social care. Gill has also had a number of years' experience of working in the NHS in a variety of clinical, research and board roles. Gill currently serves as a mentor for the Board Diversity Network.

Paul Chisnell

Executive Director of Finance

Attendance: 5/6 meetings

Paul is Jigsaw's executive director of finance. Paul joined the Group in 2009 and is responsible for the Group's approach to treasury management and the provision of

Figure 9: Corporate and governance structure — board meetings for organisations below the bold headings are held contemporaneously using overlapped meetings.

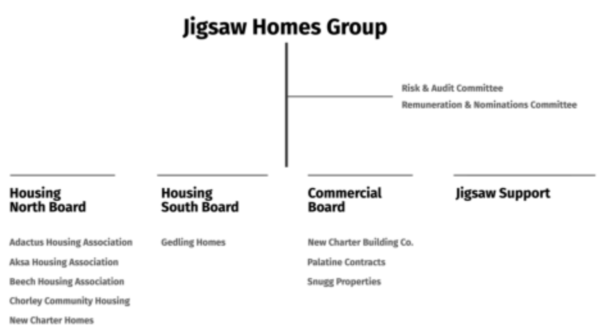


Figure 10: New corporate and governance structure — we will work towards implementing this simplified structure during 2019.

Group finance services including income collection.

Paul has developed a strong commercial background through his previous directorships with a range of independently owned businesses in the North-west of England. He is particularly experienced in company funding including work with the venture capital sector.

Ed Clivery

Attendance: 6/6 meetings

Ed is a a highly qualified banking specialist. He has spent over 20 years working in the commercial banking environment for a number of large retail banks and currently works for Lloyds.

Ged Cooney

Attendance: 3/3 meetings

Ged is a Tameside MBC executive cabinet member for economic growth, employment and housing. He holds the position of vice chair of the Northern Local Government Pension Fund. He is a Councillor for Droylsden West.

Bridget Groarke

Chair of Risk & Audit Committee

Attendance: 6/6 meetings

Bridget is general counsel and company secretary for a global manufacturing company. She is also co-founder and director of Commercial Compass Ltd, a business and management consultancy. Bridget has strong legal experience and has previously held a number of influential roles including head of corporate & commercial for the Co-operative Group Ltd and legal counsel EMEA for Intervoice Brite Ltd.

Richard O'Connell

Attendance: 6/6 meetings

Richard is currently the director of resources for the Parliamentary and Health Service Ombudsman in England. As a qualified accountant, he has previously worked at PWC and as a management consultant with IBM and Capgemini. He has a wide range of experience in business and IT transformation in a number of organisations in the charitable, public and private sectors.

Brian Moran

Deputy Chief Executive

Joined the board in April 2019

Brian is Jigsaw's deputy chief executive and its company secretary. Brian is responsible for the Group's governance arrangements and for developing the strategic direction of the Group's corporate services which include the Connect service, IT, marketing, business analysis and regulatory work.

Brian has a research background and is highly experienced in data analysis.

Hilary Roberts

Group Chief Executive

Attendance: 6/6 meetings

Hilary is the group chief executive of Jigsaw. She has lead responsibility to work with the board of management to develop and implement corporate strategy.

She has a strong background in business growth and property development having held senior roles in this area for over 20 years.

Tim Ryan

Chair of the South board

Joined the board in June 2019

Tim is director of Volute Ltd, a digital development agency which creates websites, apps and learning management systems for universities, the NHS and private sector organisations. He is a registered architect and previously had a career in social housing property development.

Corporate Responsibility

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

Diversity and Inclusion

The Group recognises its responsibilities to provide equality of opportunity, eliminate discrimination and promote good relations in its activities as a landlord, managing agent, employer, contractor, partner and purchaser.

We are totally opposed to all forms of discrimination on the grounds of race, national origin, ethnic origin, nationality, religion, belief or lack of religion or belief, gender, gender reassignment status, being married or a civil partner, pregnancy or maternity, sexual orientation, disability or age.

The Group's policy in this area is available to download from the Jigsaw website: search for 'equality and diversity'.

Modern Slavery and Human Trafficking Statement

The Group is absolutely committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking.

The Group's policy in this area is available to download from the Jigsaw website: search for 'modern slavery'.

Risk Management and Internal Controls

The board has overall responsibility for the system of internal control and risk management across the Group and for reviewing its effectiveness. The board also take steps to ensure the Group adheres to the Regulator of Social Housing's Governance and Financial Viability Standard and its associated Code of Practice. The Risk & Audit Committee is responsible to the board for monitoring these arrangements and reporting on their effectiveness.

Risk Management

Figure 11 on page 39 summarises the Group's risk map at 31 March 2019. The assessment shows 45 risks which could impact on the delivery of the Group's corporate objectives.

The diagram shows how the Group controls work to mitigate the likelihood or impact of risks. As a result, the residual assessment of all risks falls within the acceptable levels defined in the Group's *Risk Management Strategy*.

Figure 11 also shows how the the Group's's risk register is dominated by 'People' risks — predominantly Health & Safety concerns. The Group has adopted a comprehensive *Health & Safety Policy* to ensure that these risks are given due attention.

Our most significant residual risks are:

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

Figure 11: Risk analysis — significant risks are adequately controled.

- Control failure leads to death or injury from fire.
- Control failure leads to death or injury from gas.
- Control failure leads to death or serious injury (staff/3rd party).
- Ineffective Safeguarding of staff, customers and third parties.

In accordance with the Group's *Risk Management Strategy*, the risk map is reviewed quarterly by the Group's Risk & Audit Committee and by board. The Committee presides over a programme of internal audit work which is based on the risks identified.

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 2018 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 (Scheme of Delegation). These policies and procedures are reviewed by the board and executive management team on an agreed cycle.

- 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.
- The board receives quarterly information on the financial performance together with a summary of key performance indicators covering the main business risks.
- Forecasts and budgets are prepared which allow the board and management to monitor financial objectives and risks. Monthly management accounts are prepared promptly and reported to board on a quarterly basis; with significant variances from budget investigated and accounted for. This reporting includes the monitoring of all loan covenants.
- A robust approach to treasury management which is supported by third party advisors.
- Regular monitoring of loan covenants and requirements of new loan facilities.
- All significant new initiatives and projects are subject to formal appraisal and authorisation procedures by the appropriate board; with clear links to the requirements of the Risk Management Policy.
- The Remuneration and Nominations Committee has oversight of the Group's approach to board appraisal, recruitment and succession.
- Experienced and suitably qualified employees are responsible for important business functions.
- A co-sourced Internal Audit service is provided by the Group, incorporating a team managed by a qualified, full-time employed audit manager complemented by third party expertise. The Risk & Audit Committee approves the annual audit plan and reviews Internal Audit reports as well as those from management and any third-party reviews including reports from tenant scrutiny.
- The Risk & Audit Committee 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 reviewed on a quarterly basis by the executive management team and Risk & Audit Committee. Quarterly Risk Updates are also provided to each board within the Group. Internal audit independently reviews the risk identification procedures and control process implemented by management and reports to Risk & Audit Committee.
- The executive management team 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 Group's Probity and Anti-Fraud Policy clearly lays out the approach to be taken with respect to whistle-blowing, anti-corruption and fraud.

- The Risk & Audit Committee and board reviews and approves this statement of the Group's internal controls assurance.

A fraud register is maintained by the Group Company Secretary and any fraud is reported to the Risk & Audit Committee.

The Group uses various financial instruments including loans, 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 its 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.

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 86% (2018: %) were at fixed rates between 2.1% and 10.9% with an average borrowing rate of 5%.

Gedling Homes had a £6m potential exposure to an RPI-linked loan during the year. However the board is pleased to report that this exposure has been removed following the successful refinancing completed for in June 2019. Consequently, the Group has no exposure to derivative-based hedging structures.

Liquidity Risk

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

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 £83.3m (2018: £77.3m) of cash balances and in excess of £113.1m (2018: £m) of undrawn committed bank facilities.

Credit Risk

The Group operates a prudent policy in respect of funding counterparties and aims to minimise the risk of financial loss or liquidity exposure associated with any counterparty. Short term investments are widely diversified and are kept at a minimum by temporarily repaying revolving credit facilities in order to manage working capital requirements. During 2019 all cash investments were held with counterparties which met the Group's Treasury Management Strategy.

The Group seeks to minimise the credit risk relating to tenant rent arrears through its robust recovery procedures, providing support to existing tenants where necessary and by pre-let screening applicants for new tenancies. The Group's financial inclusion service provides the necessary support to tenants and the Group's arrears recovey team closely monitors tenant arrears as a whole.

Unregulated Subsidiaries

The Group has a number of unregulated subsidiaries which traded in the year (see page 53). They are managed and monitored under the same internal control framework as outlined above.

There is no detrimental financial risk to the Group should the unregulated subsidiaries cease operations at any point as their assets exceed their liabilities.

Compliance

This document has been prepared in accordance with applicable reporting standards and legislation. The board confirms that the Group has complied with the regulator's Governance and Financial Viability Standard.

NHF Code of Governance

The Group has adopted *Excellence in Governance* (National Housing Federation, 2015) as its Code of Governance. The board is pleased to report full compliance with the Code.

Statement of Responsibilities of the Board for the Report and Financial Statements

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Under the Co-operative and Community Benefit Societies Act 2014 and social housing legislation the board are required to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the *Statement of Recommended Practice: Accounting by registered social housing providers 2014* 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 group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the Group and the Association and disclose with reasonable accuracy at any time the financial position of the Group and the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the the Group and the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the *Statement of Recommended Practice: Accounting by registered social housing providers 2014*.

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

Going Concern

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

Auditor

All of the current board members have taken the steps that they ought to have taken to ensure they are aware of any information needed by the Group's auditor for the purposes of their audit, and to establish that the auditor is aware of that information. The board members are not aware of any relevant audit information of which the auditor is not aware.

BDO LLP has expressed their willingness to continue in office as the Group's auditors.

Approved by the board on 12 September 2019.

Signed on their behalf:

Fay Selvan

Group Chair

Preparing for school

New Charter Homes' helps fund school readiness project.

4. Financial Statements

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 ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2019 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 and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the Financial Statements are prepared is not consistent with the Financial Statements;
- adequate accounting records have not been kept by the parent 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 42, 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, Statutory Auditor *Chartered Accountants, Manchester*

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

Consolidated Statement of Comprehensive Income

Year ended 31 March 2019		2019		2018	
		Group	Association	Group	Association
	Notes	£'000	£'000	£'000	£'000
				Represented	
Turnover	3	180,256	45,311	171,723	22,186
Cost of sales	3	(2,104)	-	(990)	-
Operating expenditure	3	(122,693)	(47,867)	(117,548)	(22,154)
Other turnover - non recurring		-	-	740	-
Profit on disposal of fixed assets	5	4,195	-	5,307	-
Operating surplus	**8**	**59,654**	**(2,556)**	**59,232**	**32**
Interest receivable	6	375	14	150	1
Interest and financing costs	7	(35,221)	(1,315)	(35,376)	(32)
Movement in fair value of Investment Properties		169	-	-	-
Surplus before tax	**8**	**24,977**	**(3,857)**	**24,006**	**1**
Taxation	9	340	397	(543)	(14)
Surplus/(deficit) for the year after tax		**25,317**	**(3,460)**	**23,463**	**(14)**
Other comprehensive income					
Actuarial gain/(loss) in respect of pension schemes	29	2,116	2,619	4,872	-
Total comprehensive income for the year		**27,433**	**(841)**	**28,335**	**(14)**

The Financial Statements on pages 49 to 52 were approved and authorised for issue by the Board on 12 September 2019 and were signed on its behalf by:

F. Selvan
Chair

H. Roberts
Executive member

B. Moran
Secretary

The results for the year relate wholly to continuing activities and the notes on pages 53 to 95 form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

At 31 March 2019		2019		2018	
		Group	Association	Group	Association
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	12	1,236,493	3,577	1,206,342	-
Investment properties	13	361	-	192	-
		1,236,854	**3,577**	**1,206,534**	**-**
Current assets					
Stock	14	6,166	186	7,667	165
Trade and other debtors	15	34,301	9,400	29,997	991
Investments	16	2,630	-	1,284	-
Cash and cash equivalents	17	80,662	6,462	76,050	94
		123,759	**16,048**	**114,998**	**1,250**
Less: Creditors: amounts falling due within one year	18	(38,654)	(13,170)	(58,088)	(1,431)
Net current assets/(liabilities)		**85,105**	**2,878**	**56,910**	**(181)**
Total assets less current liabilities		**1,321,959**	**6,455**	**1,263,444**	**(181)**
Creditors: amounts falling due after more than one year	19	(930,802)	-	(907,363)	(1,890)
Provisions for liabilities					
Pension provision	29	(55,037)	(45,313)	(46,392)	-
Other provisions		(4,614)		(5,616)	
Total net assets		**331,506**	**(38,858)**	**304,073**	**(2,071)**
Reserves					
Non-equity share capital	23	-	-	-	-
Revenue reserve		331,186	(38,858)	303,724	(2,071)
Designated reserve		320		320	
Restricted reserve		-		29	
Total reserves		**331,506**	**(38,858)**	**304,073**	**(2,071)**

The Financial Statements on pages 49 to 52 were approved and authorised for issue by the Board on 12 September 2019 and were signed on its behalf by:

F. Selvan	H. Roberts	B. Moran
Chair	**Executive member**	**Secretary**

The notes on pages 53 to 95 form an integral part of these Financial Statements.

Statement of Changes in Equity

Group	Non-equity share capital £'000	Designated reserve £'000	Restricted reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2018	**-**	**320**	**29**	**303,724**	**304,073**
Surplus from Statement of Comprehensive Income	-	-	(29)	**25,345**	**25,316**
Actuarial gain in respect of pension schemes (Note 29)	-	-	-	**8,883**	**8,883**
First time recognition on SHPS pension deficit (Note 29)	-	-	-	**(6,767)**	**(6,767)**
Recognition of deferred tax asset		-	-	**-**	**-**
Balance at 31 March 2019	**-**	**320**	**-**	**331,185**	**331,505**

Association	Non-equity share capital £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2018	**-**	**(2,071)**	**(2,071)**
Surplus from Statement of Comprehensive Income	-	**(3,460)**	(3,460)
Actuarial gain in respect of pension schemes	-	**6,036**	6,036
First time recognition on SHPS pension deficit (Note 29)	-	**(3,417)**	(3,417)
Recognition of deferred tax asset		**-**	-
Transfer of engagements (Note 30)		**(35,944)**	(35,944)
Balance at 31 March 2019	**-**	**(38,856)**	**(38,856)**

The Financial Statements on pages 49 to 52 were approved and authorised for issue by the Board on 12 September 2019 and were signed on its behalf by:

F. Selvan
Chair

H. Roberts
Executive member

B. Moran
Secretary

The notes on pages 53 to 95 form an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

Year ended 31 March 2019	2019	2018
	£'000	£'000
Net cash generated from operating activities (see below)	**71,347**	**72,970**
Cash flow from investing activities		
Purchase of tangible fixed assets	(57,429)	(98,724)
Proceeds from sale of tangible fixed assets	13,378	13,759
Grants received	11,033	11,120
Interest received	375	150
Cash disposed of with business operation	-	(213)
	(32,643)	**(73,908)**
Cash flow from financing activities		
Interest paid	(35,990)	(36,225)
New secured loans	30,912	41,112
Repayment of borrowings	(27,667)	(14,445)
	(32,745)	**(9,558)**
Net change in cash and cash equivalents	**5,959**	**(10,496)**
Cash and cash equivalents at beginning of the year	77,334	87,830
Cash and cash equivalents at end of the year	**83,293**	**77,334**

	2019	2018
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	25,317	23,463
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	22,420	22,792
Taxation expense	340	543
Net fair value losses/(gains recognised in profit and loss	(169)	-
Decrease/(increase) in stock and properties for sale	(747)	(164)
Decrease/(increase) in trade and other debtors	1,816	(2,007)
Increase/(decrease) in trade and other creditors	(6,007)	(2,046)
Decrease/(increase) in provisions	-	2,047
Pension costs less contributions payable	3,609	2,328
Surplus on the sale of fixed assets	(6,289)	(5,801)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(3,017)	(3,128)
Interest paid	34,884	35,375
Interest received	(375)	(150)
Taxation paid	(435)	(282)
Net cash generated from operating activities	**71,347**	**72,970**

The notes on pages 53 to 95 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Legal Status

Jigsaw Homes Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing 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 Jigsaw Homes Group Structure (the Group), of which Jigsaw Homes Group Limited is the parent company. Jigsaw Homes Group was created on 3rd April 2018 when there was a transfer of engagements of all the trade and assets, including ownership of all subsidiary undertakings, from New Charter Housing Trust Limited to Adactus Housing Group Limited. Following this merger Adactus Housing Group changed its name to Jigsaw Homes Group Limited. The Group comprises the following principal entities:

Name	Incorporation	RSH registration
Adactus Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Aksa 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
Cavendish Property Developments Limited	Companies Act 2006	Non-registered
Family Support Charity	Charities Act 2011	Non-registered
Gedling Homes	Companies Act 2006	Registered
Great Neighbourhoods	Charities Act 2011	Non-registered
New Charter Building Company Limited	Companies Act 2006	Non-registered
New Charter Homes Limited	Companies Act 2006	Registered
Palatine Contracts Limited	Companies Act 2006	Non-registered
Snugg Properties Limited	Companies Act 2006	Non-registered
Threshold Housing Project Limited	Charities Act 2011	Non-registered

Table 8: Principal group members.

2. Principal Accounting Policies

Basis of Accounting

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

In the preparation of these Financial Statements, the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans" have been adopted early. This has resulted in changes to the accounting policy for the SHPS multi-employer scheme from the start of the reporting period. This means that accounting for SHPS has not been consistently applied as compared to reporting in prior years. Further information on the impact of early adopting these requirements is set out in the Pensions note on page 81.

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.

Business Combinations

On 3rd April 2018 there was a transfer of engagements of all the trade and assets, including ownership of all subsidiary undertakings, from New Charter Housing Trust Limited to Adactus Housing Group Limited. Following this merger Adactus Housing Group changed its name to Jigsaw Homes Group Limited. On merger there was equal representation of both parties within the new management structure. As a public benefit entity combination in which the rights of the controlling parties of the combined entity remain unchanged relative to other controlling parties the transaction has been accounted for following the principles of merger accounting as set out in FRS 102 section 34.

Accordingly the consolidated results, Statements of Financial Position and cash flows of the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred. The corresponding figures are restated by including the results of all entities for the previous period and their Statements of Financial Position for the previous accounting date.

At entity level for the Association has recorded the transfer of engagements as a loss booked via other comprehensive income to reflect the fair value of the net liabilities of New Charter Housing Trust Limited. Further details in relation to the transfer of engagements is set out in note 30.

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 Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March 2019. The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

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:

Development expenditure

The Group capitalises development expenditure in accordance with the accounting policy described on page 59. Initial capitalisation of costs is based on management's judgement when a 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.

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.

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:

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.

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 2019. 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.

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 a 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.

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.

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.

Revenue is recognised on completion if the sale of goods or services is short-term in nature. Where this is not the case, revenue is recognised in proportion to the stage of completion at the reporting date. Revenue recognition commences only when the outcome of the goods and services rendered can be reliably measured, by reference to individual terms and conditions within each service contract, and it is probable that the economic benefits associated with the contract will flow to the Group, otherwise it is recognised to the extent costs are incurred.

Supporting People contract income received from Administering Authorities is accounted for as ‘Charges for support services’.

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 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

Loan finance issue costs 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 operates 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

Housing properties are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source, e.g. a 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.

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.

Freehold land is not depreciated.

Major repairs to properties of a capital nature, which will result in an increase in the net rental income over the life of the property, are capitalised under the component accounting principles described below.

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
Lifts	25
Bathrooms	30
Doors	30
Windows	30
Roofs	80
Structure	100

Table 9: Useful Economic Lives.

Other fixed assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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% on cost or length of 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 10: Fixed Asset Depreciation Rates.

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.

Assets held under finance leases are included in the Statement of Financial Position and depreciated in accordance with the Group's accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income statement for the period of the lease in proportion to the balance of capital repayments outstanding.

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.

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.

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.

Development Agreement

A development agreement is in place with Gedling Borough Council where investment works have been identified and any VAT incurred can be reclaimed. On the Statement of Financial Position, the long term debtor and long term provision balances show the commitment to carry out the work and the liability for the cost of the work. These will both be released to the Statement of Comprehensive Income as the work is completed over the life of the agreement.

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.

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

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.

Recycling of Capital Grant

Where SHG is recycled, as described above, the SHG is credited to a fund which appears as a creditor in the Statement of Financial Position, 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 in the Statement of Financial Position.

If there is no requirement to recycle or repay the grant on disposal of an asset any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Disposal Proceeds Fund (DPF)

Receipts from the sale of certain 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.

Retirement Benefits

The Group participates in the multi-employer defined benefit Social Housing Pension Scheme (SHPS).

For financial years ending on or after 31 March 2019, the way in which the defined benefit pension obligation in SHPS is stated in the financial statements has changed. Previously there has been insufficient information available to account for these obligations on a defined benefit basis (i.e. stating assets and obligations). As a result, and as required by FRS 102, the obligation has been accounted for by stating the present value of agreed future deficit repayment contributions. For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations on a defined benefit basis. The information provided during the year gives the liability at 31 March 2018 however, as this information only became available in the current year and after the financial statements for the prior year had been authorised for issue, the change inaccounting has been recorded on the first day of the current year, with no restatement of comparatives, in accordance with the requirements set out in: *Amendments to FRS102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland: Multi-employer defined benefit plans*. Whilst comparative figures have not been restated the information provided about the liability at 1 April has been included in the pension note on on page 81 as it provides useful information to a reader of the Financial Statements. The true comparative information is represented by the SHPS deficit reduction creditor as set out in the comparatives to the creditors' notes.

The liability recognised for the present value of the deficit agreement (Association: £2,315k, Group: £6,768k) has been derecognised and the net pension deficit at 31 March 2018 (Association: £5,732k, Group: £13,535k) has been recognised through other comprehensive income in the year.

Under defined benefit accounting for all such schemes the Group participates in the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

In relation to defined contribution schemes, contributions payable are charged to the Statement of Comprehensive Income in the period to which they relate.

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 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.
- Commitments to receive or make a loan to another entity are held at cost less impairment.

3A. Turnover, Cost of Sales, Operating Expenditure and Operating Surplus

	2019				
	Turnover £'000	**Cost of sales £'000**	**Operating expenditure £'000**	**Disposal of property, plant & equipment £'000**	**Operating surplus £'000**
Social housing lettings (Note 3B)	152,475	-	(100,436)	-	52,039
Other social housing activities:					
Housing management contracts	8,138	-	(5,597)	-	2,540
First tranche low cost home ownership sales	3,052	(2,104)	-	-	948
Other rental	2,175	-	(2,096)	-	79
Supporting people contract income	1,698	-	(1,636)	-	62
Disposal of fixed assets (Note 5)	-	-	-	4,195	4,195
Other activities	9,123	-	(9,272)	-	(149)
Non-social housing activities:					
Other activities	3,595	-	(3,656)	-	(61)
Total	**180,256**	**(2,104)**	**(122,693)**	**4,195**	**59,654**

	2018 Represented				
	Turnover	Cost of sales	Operating expenditure	Disposal of property, plant & equipment	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 3B)	149,969	-	(100,535)	-	49,434
Other social housing activities:					
Housing management contracts	6,812	-	(4,190)	-	2,622
First tranche low cost home ownership sales	971	(990)	-	-	(19)
Other rental	2,191	-	(1,942)	-	249
Supporting people contract income	1,748	-	(1,590)	-	158
Disposal of fixed assets (Note 5)	-	-	-	5,307	5,307
Other activities	2,695	-	(1,776)	-	919
Non-social housing activities:					
Other activities	7,337	-	(7,515)	-	(178)
Non-recurring items	740	-	-	-	740
Total	**172,463**	**(990)**	**(117,548)**	**5,307**	**59,232**

Non-recurring items of £740k relate to the release of a historic lease liability no longer required.

The turnover reported for the Association of £45.3m (2018: £22.2m) relates in the main to recharges for services provided to subsidiary members of the Group.

3B. Turnover and Operating Expenditure

	General housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	Total 2019 £'000	Total 2018 £'000
Income					
Rent receivable net of identifiable service charges and net of voids	123,402	12,801	2,020	138,223	135,625
Service charge income	4,732	5,771	222	10,725	10,510
Charges for support services	-	682	-	682	776
Amortised government grants	2,257	472	116	2,845	3,058
Turnover from social housing lettings	**130,391**	**19,726**	**2,358**	**152,475**	**149,969**
Operating expenditure					
Management	27,015	3,789	449	31,253	28,173
Service charge costs	3,897	5,670	208	9,775	11,043
Routine maintenance	16,618	2,609	20	19,247	20,622
Planned maintenance	7,763	1,840	90	9,693	9,056
Major repairs expenditure	5,673	1,940	2	7,615	8,668
Bad debts	1,162	100	1	1,263	1,019
Property lease charges	153	-	-	153	179
Depreciation of housing properties	18,366	2,212	426	21,004	21,339
Depreciation of other fixed assets	30	-	-	30	177
Other costs	373	25	5	403	259
Operating expenditure on social housing lettings	**81,050**	**18,185**	**1,201**	**100,436**	**100,535**
Operating surplus on social housing lettings	**49,341**	**1,541**	**1,157**	**52,039**	**49,434**
Void losses	893	177	40	1,110	1,319

4. Accommodation Owned, Managed and in Development

Group	**2019 No. of units**		**2018 No. of units**	
	Owned	**Managed**	**Owned**	**Managed**
Social Housing				
General needs housing				
Social rent	21,747	1,393	22,013	1,419
Affordable rent	5,393	4	4,763	67
Market Rent	88	-	-	-
Sheltered housing for older people	3,168	71	3,180	71
Supported housing	563	-	549	263
Low-cost home ownership	873	93	841	90
Leasehold where the Group owns the freehold	1,286	-	927	-
Total units social housing	**33,118**	**1,561**	**32,273**	**1,910**

The Association had no units in management (2018: 0). The Group owns 237 (2018: 238) properties which are managed by others.

Group – In development	2019	2018
	No. of units	No. of units
Social Housing		
General needs housing		
Social rent	44	29
Affordable rent	452	378
Low-cost home ownership	57	30
Total units social housing	**553**	**437**

Group - Movement in the year (owned properties)	No.of units
Opening number of units at 1 April 2018	**32,273**
New units developed	578
New units acquired	1
Units sold	(131)
Other adjustments	397
Closing number of units at 31 March 2019	**33,118**

5. Profit on Disposal of Fixed Assets

Group	2019	2018
	£'000	£'000
Proceeds of sales	8,376	13,466
Carrying value	(4,181)	(8,159)
Total loss	**4,195**	**5,307**

6. Interest Receivable

Group	2019	2018
	£'000	£'000
Bank interest receivable	375	150
Total	**375**	**150**

7. Interest and Financing Costs

Group	2019	2018
	£'000	£'000
Loans and bank overdrafts	34,436	33,905
Early redemption costs*	85	1,898
Amortisation of loan fees	(45)	374
Notional interest on RCGF/DPF (Note 21, 22)	28	14
Interest on pension deficit (Note 29)	1,614	1,550
Interest capitalised on housing properties under construction	(897)	(2,365)
Total	**35,221**	**35,376**

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

The weighted average interest on borrowings of 5% (2018: 4.6%) was used for calculating capitalised finance costs.

8. Operating Surplus

Group	2019	2018
	£'000	£'000
The operating surplus is stated after charging:		
Auditor's remuneration (excluding VAT):		
Audit of the Group financial statements*	16	23
Audit of subsidiaries	85	93
Fees payable to the company's auditor & its associates for other services to the Group		
Taxation advice	18	15
Other	3	3
Operating lease rentals:		
Land and buildings	211	162
Other	715	852
Depreciation:		
Depreciation of housing properties	21,003	21,340
Depreciation of other fixed assets	830	1,470

*£3000 (2018: £3,000) of this relates to the company.

9. Taxation

Group	2019	2018
	£'000	£'000
Current tax		
Current tax on income for the year	166	517
Adjustments in respect of previous periods	(111)	20
Total current tax charge	**55**	**537**
Deferred tax		
Origination and reversal of timing differences	(383)	15
Adjustment in respect of previous years	(12)	(9)
Total deferred tax charge	**(395)**	**6**
Total tax recognised in the Statement of Comprehensive Income	**(340)**	**543**

	2019			2018		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in Statement of Comprehensive Income	55	(395)	(340)	517	6	523
Total tax	**55**	**(395)**	**(340)**	**517**	**6**	**523**

Reconciliation of effective tax rate	2019	2018
	£'000	£'000
Surplus for the year	25,317	23,463
Total tax expense	(340)	543
Surplus excluding taxation	**24,977**	**24,006**
Tax using the UK corporation tax rate of 19% (2018: 19%)	4,745	4,561
Effect of tax free income due to charitable activities	(5,273)	(4,661)
Amounts credited directly to other comprehensive income	1,020	700
Fixed asset differences	51	43
Other permanent differences	(625)	-
Other tax adjustments, reliefs and transfers	(129)	-
Net expenses not deductable for tax purposes	7	55
Income not taxable for tax purposes	(109)	(48)
Adjustments in respect of prior periods	(122)	(55)
Tax rate differences on deferred tax	49	(10)
Chargeable gains	16	20
Deferred tax not recognised	30	(62)
Total tax charge	**(340)**	**543**

A reduction in the UK corporation tax rate 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	
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	40	38	40	38
Unused tax losses	(187)	(97)	-	-	(187)	(97)
Other short term timing differences	(7,872)	(7,565)	-	-	(7,872)	(7,565)
Tax (assets) / liabilities	**(8,059)**	**(7,662)**	**40**	**38**	**(8,019)**	**(7,624)**

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £341,427 (2018: £14,099) in respect of capital losses carried forward and short term timing differences.

10. Directors' Remuneration

Group	2019	2018
	£'000	£'000
Executive directors' emoluments	1,241	1,266
Amounts paid to non-executive directors	229	271
Compensation for loss of office	469	-
Contributions made to pension schemes	105	117
Emoluments payable to the highest paid Executive (excluding pension contributions)	350	292

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 2018/19 for the group chief executive. The Transformation Director was the highest paid director in the year.

The group chief executive, executive directors and non-executive directors are remunerated by Jigsaw Homes Group Limited. Their costs are recharged to all Group subsidiaries on an on-going basis.

Non-executive payments The payments to non-executive directors who held office during the year were as follows:

- D Addy (JHG) £9,500 (2018: £5,296)
- S Akhtar (Aksa, NCH) £4,500 (2018: £4,000)
- O Baker (JHG, AHA) £2,250 (2018: £5,000)
- S Barnes (GH) £750 (2018: £4,000)
- S Bibi (Aksa, NCH) £4,500 (2018: £4,000)
- W Bray (NCH) £750 (2018: £4,000)
- G Brown (JHG, NCBC, Threshold) £15,750 (2018: £6,000)
- A Cain (JHG, AHA, BHA, CCH) £2,988 (2018: £5,000)
- J Clarke (GH) £4,500 (2018: £4,000)
- J Clayton (JHG, AHA, BHA, CCH) £12,000 (2018: £11,000)
- E Clivery (JHG, AHA, BHA, CCH, NCBC) £9,500 (2018: £4,500)
- L Cope £0 (2018: £4,125)
- M Dunford (JHG, NCBC, Threshold) £9,500 (2018: £15,000)
- S Dunn (CCH) £6,000 (2018: £2,323)
- G Durbin (NCBC, Threshold) £4,167 (2018: £2,000)
- T Farrow £0 (2018: £6,000)
- H Garnett-Wren £0 (2018: £4,000)
- L Garsden (JHG, AHA, BHA, CCH) £4,500 (2018: £4,500)
- C Green (NCBC, Threshold) £4,500 (2018: £3,000)
- B Groarke (JHG) £15,750 (2018: £16,000)
- P Hoey (NCBC, Threshold) £4,500 (2018: £6,000)
- L M Jassi (Aksa, NCH) £14,063 (2018: £16,000)
- M Kenyon (GH) £4,500 (2018: £3,000)
- T Killeavy £0 (2018: £3,000)
- A Kumar £0 (2018: £4,000)
- A Leah (Aksa, NCH) £4,500 (2018: £4,000)
- T Leaper £0 (2018: £2,000)
- P Lees (JHG, AHA, BHA, CCH) £4,500 (2018: £4,500)
- Cllr R Lees (CCH) £4,500 (2018: £4,500)
- E Mellor £0 (2018: £3,000)
- B Miller (GH) £750 (2018: £4,000)
- J Mutch (Aksa, NCH) £4,500 (2018: £4,000)
- S Normansell (NCBC, Threshold) £4,500 (2018: £4,000)
- R O'Connell (JHG, BHA) £9,500 (2018: £5,400)
- G P Cooney (JHG) £3,615 (2018: £7,000)
- G Parker £0 (2018: £4,000)
- K Potts (GHA) £2,250 (2018: £0)
- K Quinn £0 (2018: £5,000)
- V Ricci (NCH) £750 (2018: £4,000)
- M Richmond (NCH) £4,500 (2018: £4,000)
- M Rudkin (GH) £4,500 (2018: £4,000)
- T Ryan (JHG, GH) £14,063 (2018: £17,000)
- J Ryan £0 (2018: £5,000)
- F Selvan (JHG) £25,750 (2018: £24,000)
- M Taylor (NCBC, Threshold) £4,500 (2018: £7,000)
- J Taylor (Aksa, NCH) £4,500 (2018: £4,000)
- R Thaliwal £0 (2018: £3,000)
- S White (GHA) £1,500 (2018: £0)
- K Woodhouse £0 (2018: £2,000)

11. Employee Information

	Group		Association	
	2019	2018	2019	2018
	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	379	375	335	162
Development	24	24	24	18
Housing, support and care	644	740	433	261
Manual	198	209	-	-
Other	45	19	45	-
Total	**1,291**	**1,367**	**838**	**441**

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Staff costs				
Wages and salaries	38,069	38,151	24,183	11,807
Social security costs	3,483	3,497	2,223	1,100
Other pension costs	5,064	5,333	3,070	704
Total	**46,616**	**46,981**	**29,476**	**13,611**

Aggregate number of full time equivalent staff whose remuneration (including pension contributions) exceeded £60,000 in the period:	Group 2019 No.	2018 No.
£60,001 - £70,000	40	5
£70,001 - £80,000	7	5
£80,001 - £90,000	2	5
£90,001 - £100,000	10	2
£100,001 - £110,000	2	1
£110,001 - £120,000	3	2
£120,001 - £130,000	2	1
£130,001 - £140,000	1	1
£140,001 - £150,000	-	-
£150,001 - £160,000	1	1
£160,001 - £170,000	2	1
£170,001 - £180,000	2	2
£180,001 - £190,000	1	1
£190,001 - £200,000	1	-
£200,001 - £210,000	-	1
£210,001 - £220,000	-	-
£220,001 - £230,000	-	-
£230,001 - £240,000	-	-
£240,001 - £250,000	-	-
£250,001 - £260,000	2	-
£260,001 - £270,000	-	-
£270,001 - £280,000	-	-
£280,001 - £290,000	-	-
£290,001 - £300,000	-	-
£300,001 - £310,000	-	-
£310,001 - £320,000	-	-
£320,001 - £330,000	-	-
£330,001 - £340,000	1	-
£340,001 - £350,000	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	1,199,513	39,381	56,772	2,711	1,298,377
Additions to properties acquired	487	42,413	120	3,266	46,286
Capitalised administration costs	-	1,421	-	176	1,597
Interest capitalised	-	726	-	47	773
Transfers to/from stock	(1,229)	-	684	1,552	1,007
Component replacements	7,576	(1)	-	-	7,575
Components replaced	(2,242)	-	-	-	(2,242)
Schemes completed	56,129	(56,129)	6,877	(6,877)	-
Disposals	(2,637)	-	(3,752)	-	(6,389)
At end of the year	**1,257,597**	**27,811**	**60,701**	**875**	**1,346,984**
Depreciation and impairment					
At start of the year	111,013	-	3,428	-	114,441
Charge for the year	20,558	-	447	-	21,005
Components replaced	(2,242)	-	-	-	(2,242)
Reclassification	(40)	-	40	-	-
Disposals	(323)	-	(145)	-	(468)
At end of the year	**128,966**	**-**	**3,770**	**-**	**132,736**
Net book value:					
At 31 March 2019	**1,128,631**	**27,811**	**56,931**	**875**	**1,214,248**
At 31 March 2018	1,088,500	39,381	53,344	2,711	1,183,936

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	2019 £'000	2018 £'000
Works to existing properties in the year:		
Improvement works capitalised	7,575	11,365
Amounts charged to expenditure	36,555	31,497
Total	**44,130**	**42,862**

Other fixed assets - Group	**Land and buildings £'000**	**Motor vehicles, plant & machinery £'000**	**Furniture and equipment £'000**	**Other assets £'000**	**Total other fixed assets £'000**
Cost					
At start of the year	24,539	659	19,277	429	44,904
Additions	738	40	833	-	1,611
Disposals	(737)	(99)	(660)	-	(1,496)
At end of the year	**24,540**	**600**	**19,450**	**429**	**45,019**
Depreciation and impairment					
At start of the year	5,681	408	15,980	429	22,498
Charge for the year	401	80	714	-	1,195
Disposals	(237)	(72)	(611)	-	(920)
At end of the year	**5,845**	**416**	**16,083**	**429**	**22,773**
Net book value:					
At 31 March 2019	**18,695**	**184**	**3,367**	**-**	**22,246**
At 31 March 2018	18,858	251	3,297	-	22,406

Other fixed assets - Association	**Freehold premises £'000**	**IT equipment £'000**	**Furniture and equipment £'000**	**Other assets £'000**	**Total other fixed assets £'000**
Cost					
At start of the year	-	-	-	-	-
Transfer of engagements	3,458	13,107	21	429	17,015
Additions to properties acquired	-	30	-	-	30
Disposals	-	-	(21)	(429)	(450)
At end of the year	**3,458**	**13,137**	**-**	**-**	**16,595**
Depreciation and impairment					
At start of the year	-	-	-	-	-
Transfer of engagements	410	12,243	21	429	13,103
Charge for the year	36	329	-	-	365
Disposals	-	-	(21)	(429)	(450)
At end of the year	**446**	**12,572**	**-**	**-**	**13,018**
Net book value:					
At 31 March 2019	**3,012**	**565**	**-**	**-**	**3,577**
At 31 March 2018	-	-	-	-	-

13. Investment Properties

Group	**2019 £'000**	**2018 £'000**
At start of year	192	192
Gain/(loss) from adjustment in value	169	-
At end of year	**361**	**192**

Fair value of the investment properties is based on a valuation on 31 March 2019 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	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
First tranche shared ownership properties				
Completed	1,263	718	-	-
Work in progress	2,450	2,790	-	-
Outright sale properties				
Completed	1,413	-	-	-
Work in progress	-	3,126	-	-
Materials stock	1,041	1,033	186	165
Total	**6,166**	**7,667**	**186**	**165**

15. Trade and Other Debtors

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Rent arrears	9,418	8,911	-	-
Less: provision for bad debts	(5,271)	(3,983)	-	-
Sub-total	**4,147**	**4,928**	**-**	**-**
Trade debtors	783	6,645		
Less: provision for bad debts	(26)	(3,821)		
Sub-total	**757**	**2,824**	**-**	**-**
Prepayments and accrued income	2,707	2,497	708	420
Amounts owed by group undertakings	-	-	176	44
Other taxation and social security	157	35	-	35
Social housing grant receivable	9,201	2,857		
Deferred tax	8,059	7,662	8,059	490
Other debtors	6,724	7,685	457	2
Lease debtor	584	655	-	-
Debtors due after more than one year	1,963	854		
Total	**34,301**	**29,997**	**9,400**	**991**

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.

The debtor due after more than one year represents the obligation to have refurbishment work carried out to the properties transferred to Gedling Homes net of monies budgeted to be spent in 2019/20.

16. Investments

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

17. Cash and Cash Equivalents

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank	80,662	76,050	6,462	94
Total	**80,662**	**76,050**	**6,462**	**94**

18. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and overdrafts (Note 19B)	5,714	19,908	-	-
Trade creditors	3,258	5,888	330	326
Social housing grant received in advance	2,013	2,957	-	-
Amounts owed to group undertakings	-	-	10,292	31
Funds held on behalf of homeowners	1,037	934	-	-
Rents and service charges paid in advance	3,767	3,502	-	-
Deferred tax	40	38	-	-
Corporation tax	164	259	-	-
Other taxation and social security payable	1,702	1,470	617	-
Accruals and deferred income	12,332	13,394	1,322	431
Deferred capital grant (Note 20)	2,844	2,767	-	-
Recycled capital grant fund (Note 21)	1,078	806	-	-
Disposal proceeds fund (Note 22)	-	101	-	-
Other creditors	4,703	4,978	609	218
SHPS pension agreement plan (Note 29)	-	1,086	-	425
Total	**38,654**	**58,088**	**13,170**	**1,431**

19(A). Creditors: Amounts Falling Due After More than One Year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Social housing loans (Note 19B)	667,147	650,134	-	-
Deferred capital grant (Note 20)	259,799	246,692	-	-
Recycled capital grant fund (Note 21)	2,016	2,422	-	-
Disposal proceeds fund (Note 22)	1,663	1,929	-	-
Local authority loan	105	105	-	-
SHPS pension agreement plan (Note 29)	-	6,009	-	1,890
Other creditors	72	72	-	-
Total	**930,802**	**907,363**	**-**	**1,890**

19(B). Debt Analysis

Group	**2019**	**2018**
	£'000	**£'000**
Social housing loans		
Loans repayable by instalments:		
Within one year	5,474	7,908
In one year or more but less than two years	18,542	5,474
In two years or more but less than five years	67,063	75,910
In five years or more	479,309	479,917
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	28,520	21,014
In five years or more	74,400	62,026
Fair value adjustment on financial instruments	621	701
Less: loan issue costs	(6,919)	(6,909)
Loans premium:		
Amount due to be released within one year	240	-
Amount due to be released after more than one year	5,612	-
Total loans	**672,862**	**670,041**

Loans from external funders are secured by fixed charges on individual housing properties. Housing loans are repayable with interest chargeable at varying rates from 0.8% to 10.9% during the year.

The interest rate profile of the Group at 31 March 2019 was:	**Total**	**Variable rate**	**Fixed rate**	**Weighted average rate**	**Weighted average term**
	£'000	**£'000**	**£'000**	**%**	**Years**
Instalment loans	557,388	44,145	513,243	5.24	18.60
Non-instalment loans	115,920	50,520	65,400	3.98	10.41
Total loans	**673,308**	**94,665**	**578,643**	**5.02**	**17.19**

At 31 March 2019 the Group had the following borrowing facilities:	£'000
Undrawn facilities	113,118
Total	**113,118**

20. Deferred Capital Grant

Group	2019	2018
	£'000	£'000
At start of the year	249,459	240,804
Grant received in the year	15,806	12,964
Disposals	(1,126)	(1,611)
Released to income in the year	(2,845)	(3,058)
Additions from DPF/RCGF (Note 21, 22)	1,350	510
Adjustment (LA loan)	-	(150)
At end of the year	**262,644**	**249,459**
Amount due to be released within one year	2,844	2,767
Amount due to be released after more than one year	259,800	246,692
Total	**262,644**	**249,459**

21. Recycled Capital Grant Fund

Group	2019	2018
	£'000	£'000
At the start of the year	3,228	1,942
Inputs: grants to recycle	821	1,414
Interest accrued	28	7
Recycling: grants recycled	(983)	(135)
At the end of the year	**3,094**	**3,228**
Amount three years or older where repayment may be required	-	-

22. Disposal Proceeds Fund

Group	2019	2018
	£'000	£'000
At the start of the year	2,030	2,533
Amounts utilised in the year	(367)	(510)
Interest accrued	-	7
At the end of the year	**1,663**	**2,030**
Amount three years or older where repayment may be required	-	-

23. Non-Equity Share Capital

Association	2019	2018
	£	£
Allotted issued and fully paid		
At the start of the year	10	10
Issued during the year	-	-
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	2019	2018
	£'000	£'000
Capital expenditure contracted for but not provided for in the Financial Statements	59,578	33,671
Capital expenditure authorised by the Board but not yet been contracted for	123,490	83,867
Total	**183,068**	**117,538**
The Group expects these commitments to be financed with:		
Social housing grant	32,877	13,342
Proceeds from the sales of properties	17,321	3,590
Committed loan facilities and surpluses generated from operating activities	132,870	100,606
Total	**183,068**	**117,538**

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Land and buildings:				
Within one year	142	161	-	-
In one year or more but less than five years	460	518	-	-
In five years or more	536	622	-	-
Others:				
Within one year	492	719	489	637
In one year or more but less than five years	231	725	231	678
In five years or more	-	-	-	-
Total	**1,861**	**2,745**	**720**	**1,315**

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. Grant and Financial Assistance

Group	2019	2018
	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant (Note 20)	262,644	249,459
Recognised as income in Statement of Comprehensive Income	100,215	97,540
Total	**362,859**	**346,999**

27. Related Parties

The Jigsaw Group Structure is shown in Note 1.

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:

Association	Income	Expenditure	Debtors/ (Creditors)
	£'000	£'000	£'000
Adactus Housing Association	14,551	-	(157)
Aksa Homes	863	677	40
Beech Housing Association	1,083	-	4
Chorley Community Housing	6,059	-	(167)
Cavendish Property Developments	195	-	61
Threshold Housing Project	260	-	108
Gedling Homes	4,490	34	44
New Charter Homes	23,309	43	(10,064)
New Charter Building Company	1,100	16	20

The Board of Adactus Housing Association Limited is the 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.

28. Financial Instruments

Group	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Financial Assets				
• Trade receivables	4,905	7,752	-	-
• Other receivables	29,396	22,245	9,401	991
• Short term investments	2,630	1,284	-	-
• Cash and cash equivalents	80,662	76,050	6,462	94
Total Financial Assets	**117,593**	**107,331**	**15,863**	**1,085**
Financial Liabilities				
Financial Liabilities measured at amortised cost				
• Loans payable	672,861	670,042	-	-
Financial Liabilities measured at historical cost				
• Trade creditors	3,258	5,888	330	326
• Other creditors	293,336	289,521	12,840	2,995
Total Financial Liabilities	**969,456**	**965,451**	**13,170**	**3,321**

29. Pensions

Pension Obligations

The Group participates in four pension schemes: the Social Housing Pension Scheme (SHPS), the Greater Manchester Pension Fund (GMPF), the Nottinghamshire Local Government Pension Scheme (NLGPS), and the Lancashire County Pension Fund (LCPF). All four schemes are multi-employer defined benefit schemes. The schemes are funded and are contracted out of the state scheme.

The Group and Association's defined benefit pension position is summarised as follows:

	2019 £'000 Group	2018 £'000 Group
Defined benefit pension liability:		
Social Housing Pension Scheme	11,867	-
Greater Manchester Pension fund	41,194	43,038
Lancashire County Pension fund	1,349	1,866
Nottingham Pension fund	627	1,488
	55,037	**46,392**
Amounts recognised in operating costs:		
Social Housing Pension Scheme	1,238	-
Greater Manchester Pension fund	6,384	6,584
Lancashire County Pension fund	238	243
Nottingham Pension fund	968	779
	8,828	**7,606**
Net amounts recognised in finance costs:		
Social Housing Pension Scheme	341	-
Greater Manchester Pension fund	1,192	1,154
Lancashire County Pension fund	47	54
Nottingham Pension fund	34	34
	1,614	**1,242**
Actuarial gains/(losses) recognised in other comprehensive income:		
Social Housing Pension Scheme	1,301	-
Greater Manchester Pension fund	5,411	(3,663)
Lancashire County Pension fund	709	(469)
Nottingham Pension fund	1,462	387
	8,883	**(3,745)**

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.

Up to and including years ending 31 March 2018 employers in SHPS were able to take exemption from defined benefit (DB) accounting for the scheme on the basis that sufficient information was not available to enable them to do so. The present value of deficit funding contributions was included as a liability as a proxy for the scheme surplus/deficit.

During 2018 a method for the determination of 'sufficient information' for full DB accounting was proposed and this information is now available to enable scheme members to identify their share of assets and liabilities on the balance sheet. Thus we are now able to derecognise the deficit funding contribution liability and account under DB accounting.

FRS102 did not envisage a scenario of moving from defined contribution to DB accounting but the FRC have deemed it appropriate to account for the difference between the liability on the old basis and the new as being treated as a change in measurement, accounted for through other comprehensive income.

Impact of Change in Measurement

	Group	Association
	£'000	£'000
SHPS past service deficit creditor due within one year as at 31 March 2018	(1,086)	(425)
SHPS past service deficit creditor due after more than one year as at 31 March 2018	(5,682)	(1,890)
Total SHPS past service deficit creditor as at 31 March 2018	(6,768)	(2,315)
Initial SHPS liability at 31 March 2018 on actuarial basis	(13,535)	(5,732)
Loss recognised in other comprehensive income	**(6,767)**	**(3,417)**

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	Group	Group	Association	Association
	£'000	£'000	£'000	£'000
Fair value of plan assets	44,098	41,517	17,805	16,248
Present value of defined benefit obligation	55,965	55,052	22,753	21,980
Net defined benefit asset (liability) to be recognised	**(11,867)**	**(13,535)**	**(4,948)**	**(5,732)**

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2019 Group £'000	31 March 2019 Association £'000
Defined benefit obligation at start of period	55,052	21,980
Current service cost	1,202	743
Expenses	36	15
Interest expense	1,421	576
Contributions by plan participants	42	38
Actuarial losses (gains) due to scheme experience	(417)	(362)
Actuarial losses (gains) due to changes in demographic assumptions	1,652	648
Actuarial losses (gains) due to changes in financial assumptions	(1,292)	(496)
Benefits paid and expenses	(1,731)	(389)
Defined benefit obligation at end of period	**55,965**	**22,753**

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	31 March 2019 Group £'000	31 March 2019 Association £'000
Fair value of plan assets at start of period	41,517	16,248
Interest income	1,080	430
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	1,244	501
Contributions by the employer	1,946	977
Contributions by plan participants	42	38
Benefits paid and expenses	(1,731)	(389)
Fair value of plan assets at end of period	**44,098**	**17,805**

The actual return on the plan assets (including any changes in share of assets) for the Group over the period ended 31 March 2019 was £2.3m.

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	31 March 2019 Group £'000	31 March 2019 Association £'000
Current service cost	1,202	743
Expenses	36	15
Net interest expense	341	146
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**1,579**	**904**

Defined Benefit Costs Recognised in Other Comprehensive Income

	31 March 2019 Group £'000	31 March 2019 Association £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	1,244	501
Experience gains and losses arising on the plan liabilities - gain (loss)	417	362
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,652)	(648)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,292	496
Total amount recognised in other comprehensive income - gain (loss)	**1,301**	**711**

Assets

	31 March 2019 Group £'000	31 March 2018 Group £'000	31 March 2019 Association £'000	31 March 2018 Association £'000
Absolute Return	3,815	5,072	1,540	1,985
Alternative Risk Premia	2,543	1,574	1,027	616
Corporate Bond Fund	2,057	1,705	831	667
Credit Relative Value	808	-	326	-
Distressed Opportunities	802	401	324	157
Emerging Markets Debt	1,522	1,674	614	655
Fund of Hedge Funds	198	1,367	80	535
Global Equity	7,420	8,200	2,996	3,209
Infrastructure	2,313	1,065	934	417
Insurance-Linked Securities	1,265	1,090	511	427
Liability Driven Investment	16,126	15,126	6,511	5,920
Long Lease Property	648	-	262	-
Net Current Assets	85	39	34	15
Private Debt	592	370	239	145
Property	993	1,911	401	748
Risk Sharing	1,332	384	538	150
Secured Income	1,579	1,539	637	602
Total assets	**44,098**	**41,517**	**17,805**	**16,248**

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

Group and Association	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.5%	2.6%
Inflation (RPI)	3.0%	3.1%
Inflation (CPI)	2.0%	2.1%
Salary Growth	2.3%	3.1%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

Group and Association	Life expectancy at age 65 (Years)
Male retiring in 2019	22.8
Female retiring in 2019	24.6
Male retiring in 2039	24.3
Female retiring in 2039	25.8

Greater Manchester Pension Fund (GMPF)

The Group, Adactus Housing Association Limited and New Charter Homes participate 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.

The Group paid contributions at the rate of 19.1% (2018: 19.1%) during the year to 31 March 2019. Member contributions varied between 5.8% and 6.5%.

The employers' contributions to the GMPF by the Group for the year ended 31 March 2019 were £42,460 (2018: £41,237).

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2019 by a qualified independent actuary.

Financial Assumptions

	2019	2018
Pension increase rate	2.30%	2.40%
Salary increase rate	2.00%	2.40%
Discount rate	2.50%	2.70%

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 2019	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.

Present Values of Provision

Association	Assets	Obligations	Net (liability) / asset
	£'000	£'000	£'000
Fair value of plan assets	160,980	-	160,980
Present value of funded liabilities	-	203,166	(203,166)
Opening position as at 1 April 2018	**160,980**	**203,166**	**(42,186)**
Service cost			
Current service cost*	-	6,174	(6,174)
Past service cost (including curtailments)	-	132	(132)
Total service cost	**-**	**6,306**	**(6,306)**
Net interest			
Interest income on plan assets	4,360	-	4,360
Interest cost on defined benefit obligation	-	5,529	(5,529)
Total net interest	**4,360**	**5,529**	**(1,169)**
Total defined benefit cost recognised in surplus or (deficit)	**4,360**	**11,835**	**(7,475)**
Cashflows			
Plan participants' contributions	1,079	1,079	-
Employer contributions	3,971	-	3,971
Benefits paid	(3,819)	(3,819)	-
Expected closing position	**166,571**	**212,261**	**(45,690)**
Remeasurements			
Changes in financial assumptions	-	2,322	(2,322)
Return on assets excluding amounts included in net interest	7,647	-	7,647
Total remeasurements recognised in Other Comprehensive Income	**7,647**	**2,322**	**5,325**
Fair value of plan assets	174,218	-	174,218
Present value of funded liabilities	-	214,583	(214,583)
Closing position as at 31 March 2019	**174,218**	**214,583**	**(40,365)**

Group	Assets	Obligations	Net (liability) / asset
	£'000	£'000	£'000
Fair value of plan assets	163,239	-	163,239
Present value of funded liabilities	-	206,277	(206,277)
Opening position as at 1 April 2018	**163,239**	**206,277**	**(43,038)**
Service cost			
Current service cost*	-	6,252	(6,252)
Past service cost (including curtailments)	-	132	(132)
Total service cost	**-**	**6,384**	**(6,384)**
Net interest			
Interest income on plan assets	4,421	-	4,421
Interest cost on defined benefit obligation	-	5,613	(5,613)
Total net interest	**4,421**	**5,613**	**(1,192)**
Total defined benefit cost recognised in surplus or (deficit)	**4,421**	**11,997**	**(7,576)**
Cashflows			
Plan participants' contributions	1,092	1,092	-
Employer contributions	4,009	-	4,009
Benefits paid	(3,890)	(3,890)	-
Expected closing position	**168,871**	**215,476**	**(46,605)**
Remeasurements			
Changes in financial assumptions	-	2,342	(2,342)
Return on assets excluding amounts included in net interest	7,753	-	7,753
Total remeasurements recognised in Other Comprehensive Income	**7,753**	**2,342**	**5,411**
Fair value of plan assets	176,624	-	176,624
Present value of funded liabilities	-	217,818	(217,818)
Closing position as at 31 March 2019	**176,624**	**217,818**	**(41,194)**

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

Information About the Defined Benefit Obligation

Association	Liability split (£'000) as at 31 March 2019	Liability split (%) as at 31 March 2019	Weighted average duration at previous formal valuation
Active members	99,330	46.3%	25.9
Deferred members	44,376	20.7%	24.4
Pensioner members	70,877	33.0%	12.9
Total	**214,583**	**100.0%**	**19.7**

Group	Liability split (£'000) as at 31 March 2019	Liability split (%) as at 31 March 2019
Active members	101,195	46.5%
Deferred members	44,881	20.6%
Pensioner members	71,742	32.9%
Total	**217,818**	**100.0%**

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.

Sensitivity Analysis

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

Change in assumptions at 31 March 2019:	Association Approximate % increase to employer liability	Association Approximate monetary amount £'000	Group Approximate % increase to employer liability	Group Approximate monetary amount £'000
0.5% decrease in real discount rate	12%	25,360	12%	25,708
0.5% increase in the salary increase rate	2%	4,090	2%	4,168
0.5% increase in the pension increase rate	10%	20,915	10%	21,179

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% (2018: 15.6%) during the year to 31 March 2019. 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 2019 by a qualified independent actuary.

Financial Assumptions

The major assumptions used by the actuary in assessing scheme liabilities as at 31 March 2019 were as follows:

	2019	2018
	% p.a.	% p.a.
Rate of CPI inflation	2.00%	2.10%
Salary increase rate	2.00%	2.10%
Pension increase rate	2.30%	2.20%
Discount rate	2.50%	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

	2019	2018
	£'000	£'000
Present value of funded benefit obligations	16,318	15,384
Fair value of plan assets	(14,969)	(13,518)
Deficit/(surplus)	**1,349**	**1,866**

Components of Pension Cost for the Period

	2019	2018
	£'000	£'000
Current service cost	234	239
Net interest cost	47	54
Administrative expenses	4	4
Total pension cost recognised in Statement of Comprehensive Income	**285**	**297**

Statement of Other Comprehensive Income

	2019	2018
	£'000	£'000
Re-measurements (liabilities and assets)	(709)	(469)
Remeasurement recognised in Other Comprehensive Income	**(709)**	**(469)**

Change in Benefit Obligations

	2019	2018
	£'000	£'000
Benefit obligation at 1 April	**15,384**	**15,365**
Current service cost	234	239
Interest on pension liabilities	397	396
Member contributions	54	52
Re-measurements (liabilities)		
(Gain)/loss on assumptions	479	(338)
Benefits/transfers paid	(230)	(330)
Benefit obligations at 31 March	**16,318**	**15,384**

Change in Plan Assets

	2019	2018
	£'000	£'000
Fair value of plan assets at 1 April	**13,518**	**13,235**
Interest on plan assets	350	342
Re-measurements (assets)	1,188	131
Administration expenses	(4)	(4)
Employer contributions	93	92
Member contributions	54	52
Benefits/transfers paid	(230)	(330)
Fair value of plan assets at 31 March	**14,969**	**13,518**
Actual return on plan assets	**1,539**	**472**

Asset Allocation

	2019		2018	
	£'000		£'000	
Equities	6,601	44.1%	6,002	44.4%
Government bonds	524	3.5%	338	2.5%
Other bonds	180	1.2%	243	1.8%
Property	1,392	9.3%	1,271	9.4%
Cash/liquidity	75	0.5%	(54)	-0.4%
Other	6,197	41.4%	5,718	42.3%
Total	**14,969**		**13,518**	

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	16,318	16,020	16,622	16,370	16,625
Assets	(14,969)	(14,969)	(14,969)	(14,969)	(14,969)
Deficit/(surplus)	1,349	1,051	1,653	1,401	1,656
Projected service cost for next year	240	234	247	240	245
Projected net interest cost for next year	33	26	40	34	40

Nottinghamshire Local Government Pension Scheme (NLGPS)

Gedling Homes (GH) participates in the Nottinghamshire Local Government Pension Scheme (NLGPS). The NLGPS 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 NLGPS every three years. The main purpose of the valuation is to determine the financial position of the NLGPS in order to determine the level of future contributions required so that the NLGPS can meet its pension obligations as they fall due.

The last formal valuation of the NLGPS was performed at 31 March 2019 by a professionally qualified actuary using the Projected Unit Method.

The market value of the NLGPS's assets at the last valuation date was £4,067m. The valuation revealed a deficit of assets compared to liabilities of £621m.

GH paid contributions at the rate of 14.6% (2018: 14.6%) during the year to 31 March 2019. 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 2019 by a qualified independent actuary.

Financial Assumptions

The major assumptions used by the actuary in assessing scheme liabilities as at 31 March 2019 were as follows:

	2019	2018
	% p.a.	% p.a.
Rate of CPI inflation	2.00%	2.30%
Pension increase rate	2.30%	2.30%
Salary increase rate	2.00%	2.30%
Discount rate	2.50%	2.55%

Mortality Assumptions

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

	Males	Females
Current pensioners	21.6	24.4
Future pensioners retiring in 20 years	23.3	26.2

Statement of Financial Position Items

	2019	2018
	£'000	£'000
Present value of funded benefit obligations	12,426	11,921
Fair value of plan assets	(11,799)	(10,433)
Deficit/(surplus)	**627**	**1,488**

Components of Pension Cost for the Period

	2019 £'000	2018 £'000
Service cost	964	775
Net interest cost	34	34
Administrative expenses	4	4
Total pension cost recognised in Statement of Comprehensive Income	**1,002**	**813**

Statement of Other Comprehensive Income

	2019 £'000	2018 £'000
Re-measurements (liabilities and assets)	1,462	387
Total pension cost recognised in Statement of Comprehensive Income	**1,462**	**387**

Change in Benefit Obligations

	2019 £'000	2018 £'000
Benefit obligation at 1 April	**11,921**	**11,289**
Current service cost	823	775
Interest on pension liabilities	304	315
Member contributions	145	134
Past service costs including curtailments	141	-
Re-measurements (liabilities)		
(Gain)/loss on demographic assumptions	(747)	-
(Gain)/loss on financial assumptions	77	(399)
Benefits/transfers paid	(238)	(193)
Benefit obligations at 31 March	**12,426**	**11,921**

Change in Plan Assets

	2019 £'000	2018 £'000
Fair value of plan assets at 1 April	**10,433**	**9,934**
Interest on plan assets	270	281
Return on assets less interest	792	(12)
Administration expenses	(4)	(4)
Employer contributions	401	293
Member contributions	145	134
Benefits/transfers paid	(238)	(193)
Fair value of plan assets at 31 March	**11,799**	**10,433**
Actual return on plan assets	**1,062**	**269**

Asset Allocation

	2019		2018	
	£'000		£'000	
Equities	7,089	60%	6,860	66%
Government bonds	339	3%	239	2%
Other bonds	1,174	10%	1,219	12%
Property	1,834	16%	1,311	13%
Cash/liquidity	355	3%	206	2%
Other	1,008	9%	598	5%
Total	**11,799**	**100%**	**10,433**	**100%**

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	12,167	12,426	12,691
Projected service cost	693	709	726
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	12,443	12,426	12,409
Projected service cost	709	709	709
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	12,674	12,426	12,183
Projected service cost	726	709	693
Adjustment to life expectancy assumptions	+ 1 year	none	- 1 year
Present value of total obligation	12,876	12,426	11,992
Projected service cost	732	709	687

30. Business Combinations

On 3 April 2018 Adactus Housing Group Limited merged with New Charter Housing Trust Limited by way of accepting a transfer of its undertakings. After accepting the transfer, Adactus Housing Group Limited changed its name to Jigsaw Homes Group Limited.

In calculating the effect of this merger, the fair values of the net assets of New Charter Housing Trust Limited have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table.

As the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and are be recognised as an expense in the statement of changes in equity.

Association	Book value £'000	Adjustments £'000	Fair value £'000
Fixed Assets			
Tangible fixed assets	3,912	-	3,912
Current Assets			
Trade and other debtors	3,112	7,172	10,284
Cash & cash equivalents	4,922	-	4,922
Creditors			
Less: creditors: Amounts falling due within one year	(12,549)	-	(12,549)
Creditors: amounts falling due after more than 1 year	(327)	-	(327)
Provisions for liabilities			
Pension provision	(42,186)	-	(42,186)
Net liabilities acquired	**(43,116)**	**7,172**	**(35,944)**

The adjustment above reflects the recognition of a deferred tax asset in relation to the pension liability.

Year ended 31 March 2018	2018 Association £'000
Turnover	24,907
Operating expenditure	(25,911)
Operating surplus	**(1,004)**
Interest and financing costs	(1,132)
Surplus before tax	**(2,136)**
Taxation	(259)
Surplus/(deficit) for the year after tax	**(2,395)**
Other comprehensive income	
Actuarial gain/(loss) in respect of pension schemes	3,734
Total comprehensive income for the year	**1,339**

Creating homes. Building lives.

Jigsaw Homes Group Ltd.

Cavendish 249
Cavendish Street
Ashton-under-Lyne
OL6 7AT

https://www.jigsawhomes.org.uk
0300 111 1133
info@jigsawhomes.org.uk

Regulated by the Regulator of Social Housing Registration No. LH 4345

Registered under the Co-operative and Community Benefit Societies Act 2014 Registration No. 29433R