Financial Statements for the year ended 31 March 2019

Creating homes. Building lives.

adactus

Contents

Company Information

Registration number Co-operative and Community Benefit Societies Act 2014	16668R
Regulator of Social Housing Registration Number	LH0131
Registered office	Turner House 56 King Street Leigh Greater Manchester WN7 4LJ
Board members	R. Barker (chair, appointed April 2019) J. Clayton (chair, resigned March 2019) S. Akhtar (appointed April 2019) O. Baker (resigned September 2018) C. Beaumont (appointed April 2019) A. Cain (resigned November 2018) E. Clivery (resigned March 2019) S. Fyfe (resigned May 2018) L. Garsden P. Lees A. Leah (appointed April 2019) J. Mutch (appointed April 2019) H. Roberts (executive member)
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

Happy 1st Birthday

Miles Platting Community Grocers is one year old!

Chair's Statement

On behalf of the board of management, I am very pleased to present the Report and Financial Statements for Adactus Housing Association Limited (AHA) 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 Association'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 13–18.

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 Association 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.

Roli Barker

Association 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 Us

We are a member of Jigsaw Homes Group which 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, Jigsaw is 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.

Our Activities

The Association builds, renovates and manages low-cost housing for rent and sale.

The core of our business is centered on the management of 9,673 homes — principally social housing for rent. The location of the homes we manage is shown in Figure 2 on page 10. The Association is active in 20 local authority areas.

We work to help regenerate neighbourhoods and increase life opportunities for disadvantaged individuals and communities.

We also provide a range of supported housing services to help people live independently and to successfully maintain their tenancies. This work is often funded through external contracts which are 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:

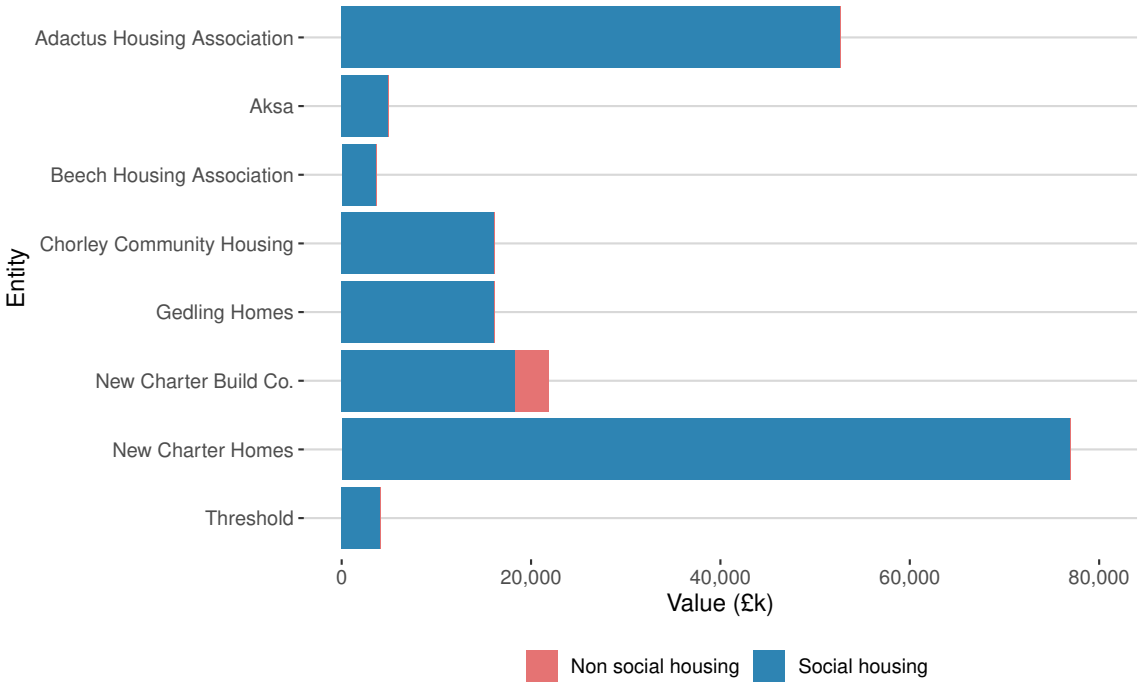
> "Creating homes. Building lives."

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: Our turnover in comparison to other members of the Jigsaw Group.

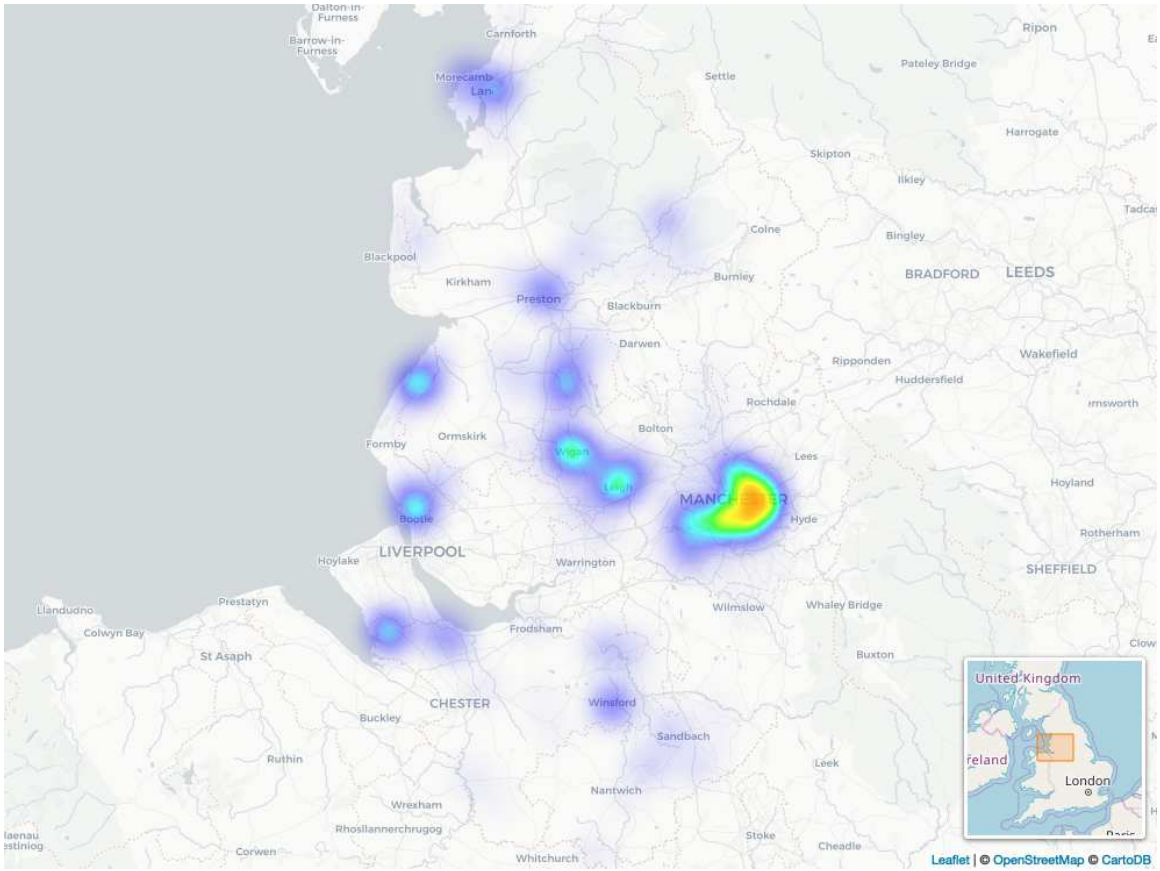


Figure 2: Location of housing stock — shading shows concentrations.

2. Strategic Report

Food for thought

Residents grow their own veg at Miles Platting Community Gardens.

Review of the Year

Operational Performance

The Association has established a suite of performance measures to track performance against its corporate objectives. Year-end performance is shown in Table 1 on page 14 and is discussed below.

Caring for Our Customers, Our Assets and Neighbourhoods

Table 1 on the next page shows that 13 of the 17 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 particular note:

During the year, rent lost due to empty properties — (*Void Loss*) — was 1%, outside the board's target of 0.91% [2]. This supported the Association's ability to let homes effectively with 798 properties re-let in the year. We estimate the social value generated for tenants from new lettings in the year to be £1.1m.

Tenancy services are generally accessed via the Group's contact centre, Connect. *Lost Calls* performance was 7.5% against a target of 15%. More than 77.6% of all enquiries were resolved 'right first time' and customer satisfaction with the service stood at 93.7% at the year end.

Building a Strong Corporate Foundation

The board is pleased to report that Association remains financially robust, well managed and has made a strong start in its first year of helping to deliver the Group's Business Case for Merger. Table 1 on the following page shows that two 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 £22.5m or 42.6% of turnover.

A summary of the Association's recent financial results are shown in Table 2 on page 15 and highlights of the Association's financial position are shown in Table 3 on page 15.

The board is pleased to report that *Total Comprehensive Income* is above original forecasts and amounted to £11.7m or 22.2% of turnover.

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

With regard to loan finance, during the year the Association repaid £15.1m in line with agreed debt profiles. £25.3m of loan finance was draw-down in the year. At the year-end debt borrowings amounted to £214m, maturing as outlined in the notes to the Financial Statements on page 55.

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

[2] Void loss KPI excludes non-residential, managed and low cost home ownership properties

	Priority	KPI	Target	Actual
Caring for our customers, our assets and neighbourhoods				
	Very high	Current Tenant Arrears	2.1%	2.0%
	Very high	Customer Net Promoter Score	40	44
	Very high	Income Collected	99%	99.7%
	High	Out of Date Fire Risk Assessments	0	0
	High	Satisfaction with Repairs	88%	84.3%
	High	Void loss	0.91%	1%
	Medium	Average Time for Non Emergency Repairs	10 days	10.2 days
	Medium	Emergencies Attended and Made Safe within 24hrs	97%	97.6%
	Medium	Energy Performance of Stock No. Properties Below EPC Level D	-	69
	Medium	Enquiry Resolved at First Point of Contact	70%	77.6%
	Medium	Lost/Abandoned Calls	15%	7%
	Medium	Median Void Loss General Needs	£ 300	£ 184
	Medium	Median Void Loss Retirement Living	£ 400	£ 292
	Medium	Median Void Loss Supported	£ 100	£ 37
	Medium	Progress of Planned Programme	-	2,637
	Medium	Properties with Invalid Gas Certificates during Reporting Period	-	22
	Medium	Responsive and Void Cost Per Unit	£ 578	£ 663
	Medium	RIDDOR incidents	0	0
	Medium	Satisfaction with handling of ASB Case	70%	88%
Building a strong corporate foundation				
●	Very high	EBITDA MRI Interest Cover	241.19%	251.82%
●	Very high	Gearing	38.29%	38.03%
●	Very high	Headline Social Housing Cost Per Unit	£ 3,177	£ 3,242
●	Very high	Operating Margin	41.2%	41.1%
●	High	Return on Capital Employed	4.22%	4.15%
Valuing staff				
	Medium	Staff Churn	-	4.7%
	Medium	Staff Net Promoter Score	-	-
	Medium	Staff Sickness	-	3.7%
Growing the business				
●	High	New Supply Delivered	1.91%	2.54%
	High	Units Delivered	205	202
●	High	Reinvestment	6.9%	5.7%

● Value for Money metric

Red text indicates out of target performance

AHA

Table 1: KPI performance at the year end.

Year	Turnover	Operating expenditure	Operating surplus	Total comp. income	Total comp. income
	£'000	£'000	%	£'000	%
2015	47,924	26,657	38	13,599	28
2016	49,974	28,385	37	10,714	21
2017	54,838	27,580	40	14,038	26
2018	49,974	28,449	45	12,682	25
2019	**52,704**	**29,874**	**43**	**11,691**	**22**

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

Table 2: Five-year financial performance

Year	2019	2018	2017	2016	2015
Housing properties at cost	558,984	532,893	502,210	468,396	440,693
Properties for sale	595	2,774	898	1,400	2,270
Cash at bank and short-term deposits	25,748	22,286	25,328	26,509	29,230
Creditors amounts falling due within one year	15,781	26,955	17,753	16,110	15,014
Net current assets / (liabilities)	26,941	5,831	12,977	16,437	22,888
Total assets less current liabilities	531,481	489,230	470,939	444,627	427,397
Creditors amounts falling due after more than one year	425,016	401,110	395,494	383,536	376,828
Capital and reserves	98,959	87,268	74,586	60,548	49,834

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

Table 3: Consolidated financial position.

report however that the Association's *Service Review* programme made good progress in 2018/19. Consequently 2019/20 will prove to be a less uncertain year for the Association's employees.

Growing the Business

Table 1 shows that one of the three KPIS established to monitor the delivery of this strategic objective were achieved in the year.

In 2018/19 the Association delivered 202 units of affordable housing, as shown in Figure 3 on page 16.

The economic impact of housing development can be estimated through the National Housing Federation's CEBR database[3].

An estimate of the impact of the Association's development activity during the year is shown in Table 4 on this page and is clearly significant. 612 jobs are estimated to have been supported through the Association's investment in new development in the year.

Homes provided	Jobs supported	Impact
202	612	£27.2m

Table 4: Local economic impact of housing development 2018/19.

The Association'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

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

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

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

Association's new developments in the year is estimated to be in the region of £416,955 per annum.

Through careful architectural design, the Association's housing developments also contribute to improvements to the general built environment and towards efforts to reduce carbon emissions. Figure 4 on page 17 presents a selection of the new housing delivered by the Association in 2018/19, showcasing high design standards.

The Association's development strategy will yield 1,282 new affordable homes between 2019 and 2022.

This is expected to inject an additional £120.7m into the local economies, supporting in excess of 256.2 jobs per annum, and providing social value to new tenants of up to £4.5m per annum.

At 31 March 2019, 305 properties were on-site.

3. Governance

Doing their bit

Support housing collegues help raise funds for Real Change W&L.

Governance Structure

Adactus Housing Association Limited is a subsidiary of Jigsaw Homes Group. The Group's current corporate and governance structure is shown in Figure 5 on page 22. Figure 5 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 6 on the next page alongside further harmonisation of our governance arrangements.

Current Board Members

Roli Baker

Chair

Appointed April 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.

Shoab Akhtar

Appointed April 2019

Shoab is currently employed by Onward Homes and has served as a councillor on Oldham Council since 2000, sitting on various committees and holding different cabinet portfolios. He was mayor of Oldham in 2008/09, and served as deputy leader from 2011 to 2014 and is currently a member of the planning committee. Shoab is also a governor at Oldham Sixth Form College and a member of the Oldham Enterprise Trust.

Claire Beaumont

Appointed April 2019

Claire joined North Board in April 2019. She is a partner in the Commercial Property Team at Gorvins Solicitors specialising in property investment and finance but with broad experience across the sector working with a variety of clients who are active in the market. Claire is a former Chairman of the Association of Women in Property Northwest Branch and remains part of the committee and as a mentor, assisting the association in encouraging women into the property sector.

Lynne Garsden

Attendance: 6/6 meetings

Lynne is a fellow of the Royal Institution of Chartered Surveyors. She has over 35 years' experience in the property market, handling lettings, sales, development appraisals, rent reviews and acquisitions. A founding partner of Guest Garsden Property Consultants in Manchester, Lynne has dealt with instructions as an expert under Civil Procedure Rules to both County Court and High Court in respect of valuations on both commercial and residential developments. She has 13 years' experience on the board of another housing association, including five years as its chair.

Paul Lees

Figure 5: Corporate and governance structure — board meetings for organisations below the bold headings are held contemporaneously using overlapped meetings.

Figure 6: New corporate and governance structure — we will work towards implementing this simplified structure during 2019.

Attendance: 5/6 meetings

Paul worked for over 20 years in the role of chief executive of the Adactus Housing Group and its predecessor, County Palatine Housing Society. He has spent his career in social housing, working for both housing associations and local authorities.

Andrew Leah

Appointed April 2019

Andrew spent his career in local government. In 2000 he became responsible for all private sector housing functions within a local authority and was subsequently promoted to head of housing and planning before retiring in March 2013. In this role he was responsible for a range of council services and delivered performance improvements and significant efficiency savings during times of financial cuts.

Janet Mutch

Appointed April 2019

Janet brings a wealth of customer service and employment knowledge to the Board through her role as retail manager for Willow Wood Hospice. Living and working in Tameside gives Janet a strong understanding of the issues facing our customers and the wider community.

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.

Corporate Responsibility

Employees

The Association 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 Association 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 Association'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 Association 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 Association'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 Association and for reviewing its effectiveness. The board also take steps to ensure the Association 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 7 on page 25 summarises the Association's risk map at 31 March 2019. The assessment shows 35 risks which could impact on the delivery of the Association's corporate objectives.

The diagram shows how the Association 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 7 also shows how the the Association's's risk register is dominated by 'People' risks — predominantly Health & Safety concerns. The Association has adopted a comprehensive *Health & Safety Policy* to ensure that these risks are given due attention.

Our most significant residual risks are:

- 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 Association 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.

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

Figure 7: Risk analysis — significant risks are adequately controled.

- 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 Association'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 Association'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 Association 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 Association's objectives.

The existence of these financial instruments exposes the Association to a number of financial risks. The main risks arising from the Association'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 Association finances its operations through a mixture of retained surpluses and bank borrowings. The Association's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

The Association currently borrows from a variety of lenders at both fixed and floating rates of interest. The Association'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: 83%) were at fixed rates between 2.1% and 10.9% with an average borrowing rate of 4.5%.

Liquidity Risk

The Association 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 Association 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 Association had access to £28.4m (2018: £23.6m) of cash balances and in excess of £57.3m (2018: £20m) of undrawn committed bank facilities.

Credit Risk

The Association 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 Association 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 Association has a number of unregulated subsidiaries which traded in the year (see page 37). They are managed and monitored under the same internal control framework as outlined above.

There is no detrimental financial risk to the Association 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 Association has complied with the regulator's Governance and Financial Viability Standard.

NHF Code of Governance

The Association 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 Association and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the 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 Association'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 Association'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 Association'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 Association's auditors.

Approved by the board on 3 September 2019.

Signed on their behalf:

Roli Barker

Association Chair

Strip away

Ready to strip the wall at
Ridgway street community gardens Miles Platting.

4. Financial Statements

Independent Auditor's Report to the Members of Adactus Housing Association Limited

Opinion on the Financial Statements

We have audited the Financial Statements of Adactus Housing Association 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 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 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 27, 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).

Statement of Comprehensive Income

Year ended 31 March 2019		2019	2018
	Notes	£'000	£'000
			Represented
Turnover	3	52,704	49,974
Cost of sales	3	(1,069)	(798)
Operating expenditure	3	(29,874)	(28,449)
Profit on disposal of fixed assets	3, 5	697	1,604
Operating surplus	**8**	**22,458**	**22,331**
Interest receivable	6	215	67
Interest and financing costs	7	(9,097)	(10,119)
Gift aid		452	332
Movement in fair value of financial instruments		-	-
Movement in fair value of investment property		169	-
Surplus for the year	**8**	**14,197**	**12,611**
Other comprehensive income			
Actuarial (loss)/gain in respect of pension schemes	29	(2,506)	71
Total comprehensive income for the year		**11,691**	**12,682**

The Financial Statements on pages 34 to 36 were approved and authorised for issue by the Board on 3 September 2019 and were signed on its behalf by:

R.Barker
Chair

H. Roberts
Executive member

B. Moran
Secretary

The results for the year relate wholly to continuing activities and the notes on pages 37 to 67 form an integral part of these Financial Statements.

Statement of Financial Position

At 31 March 2019		2019	2018
	Notes	£'000	£'000
Fixed assets			
Tangible fixed assets	11	504,179	483,207
Investment properties	12	361	192
		504,540	**483,399**
Current assets			
Stock	13	595	2,774
Trade and other debtors	14	13,749	6,443
Investments	15	2,630	1,283
Cash and cash equivalents	16	25,748	22,286
		42,722	**32,786**
Less: Creditors: amounts falling due within one year	17	(15,781)	(26,955)
Net current assets		**26,941**	**5,831**
Total assets less current liabilities		**531,481**	**489,230**
Creditors: amounts falling due after more than one year	18	(425,016)	(401,110)
Provisions for liabilities			
Pension provision	29	(7,506)	(852)
Total net assets		**98,959**	**87,268**
Reserves			
Non-equity share capital	22	-	-
Revenue reserve		98,959	87,268
Total reserves		**98,959**	**87,268**

The Financial Statements on pages 34 to 36 were approved and authorised for issue by the Board on 3 September 2019 and were signed on its behalf by:

R.Barker	H. Roberts	B. Moran
Chair	**Executive member**	**Secretary**

The notes on pages 37 to 67 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 March 2019	Non-equity share capital £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2018	**-**	**87,268**	**87,268**
Surplus from Statement of Comprehensive Income	-	14,197	14,197
Actuarial gain in respect of pension schemes (Note 29)	-	559	559
First time recognition of SHPS pension deficit (Note 29)	-	(3,065)	(3,065)
Balance at 31 March 2019	**-**	**98,959**	**98,959**

The Financial Statements on pages 34 to 36 were approved and authorised for issue by the Board on 3 September 2019 and were signed on its behalf by:

R.Barker	H. Roberts	B. Moran
Chair	**Executive member**	**Secretary**

The notes on pages 37 to 67 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Legal Status

Adactus Housing Association 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 Turner House, 56 King Street, Leigh, WN7 4LJ.

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 5: Principal group members.

2. Principal Accounting Policies

Basis of Accounting

The Financial Statements, which have been prepared under the historic cost basis, have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Adactus Housing Association Limited includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social

housing providers", the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 Association's accounting policies.

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 Association'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 59.

The Association has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Basic Financial Instruments; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated Financial Statements of Jigsaw Homes Group Limited as at 31 March 2019 and these Financial Statements may be obtained from their registered office.

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 Association capitalises development expenditure in accordance with the accounting policy described on page 42. 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 Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.

Impairment

The Association 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 Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association 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 Association, 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 Association 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 Association has been granted exemption from taxation under the provision of Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status.

Value Added Tax

The Association 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 Association 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 Association 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 6: 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 7: 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 Association 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 Association. 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 Association'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 Association.

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.

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 Association 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 Association 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 59 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 (£4,404k) has been derecognised and the net pension deficit at 31 March 2018 (£7,469k) has been recognised through other comprehensive income in the year.

Under defined benefit accounting for all such schemes the Association 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.

3(A). 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)	43,275	-	(24,278)	-	18,997
Other social housing activities:					
Housing management contracts	8,061	-	(5,596)	-	2,465
First tranche low cost home ownership sales	1,314	(1,069)	-	-	245
Disposal of fixed assets (Note 5)	-	-	-	697	697
Other	54	-	-	-	54
Total	**52,704**	**(1,069)**	**(29,874)**	**697**	**22,458**

			2018 Represented		
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Disposal of property, plant & equipment £'000	Operating surplus £'000
Social housing lettings (Note 3B)	42,487	-	(23,909)	-	18,578
Other social housing activities:					
Housing management contracts	6,734	-	(4,540)	-	2,194
First tranche low cost home ownership sales	704	(798)	-	-	(94)
Disposal of fixed assets (Note 5)	-	-	-	1,604	1,604
Other	49	-	-	-	49
Total	**49,974**	**(798)**	**(28,449)**	**1,604**	**22,331**

The 2018 turnover, cost of sales and profit on disposal of fixed assets has been represented in the current year financial statements in order to reflect the treatment more commonly used in the sector. The impact is that turnover is reduced by £5,924k, cost of sales is reduced by £4,331k and profit on disposal of fixed assets previously presented after operating surplus has been reduced by £11k. The net of these is the profit on disposal of fixed assets of £1,604k shown within operating surplus. There is no impact on the result for the year of this representation.

3(B). 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	29,017	6,531	830	36,378	35,139
Service charge income	700	3,058	90	3,848	3,891
Charges for support services	-	683	-	683	776
Amortised government grants	1,784	465	116	2,366	2,681
Turnover from social housing lettings	**31,502**	**10,736**	**1,037**	**43,275**	**42,487**
Operating expenditure					
Management	2,241	1,138	129	3,508	3,646
Service charge costs	868	3,793	91	4,752	4,733
Routine maintenance	3,935	1,306	5	5,247	4,747
Planned maintenance	1,967	1,096	117	3,180	3,295
Major repairs expenditure	582	21	2	605	646
Bad debts	280	66	-	345	284
Property lease charges	104	-	-	104	138
Depreciation of housing properties	4,973	1,161	206	6,339	6,216
Other costs	174	19	5	198	204
Operating expenditure on social housing lettings	**15,124**	**8,599**	**555**	**24,278**	**23,909**
Operating surplus on social housing lettings	**16,378**	**2,137**	**482**	**18,997**	**18,578**
Void losses	152	90	30	272	228

4. Accommodation Owned, Managed and in Development

	2019 No. of units		2018 No. of units	
	Owned	Managed	Owned	Managed
Social Housing				
General needs housing				
Social rent	4,284	1,356	4,303	1,345
Affordable rent	1,979	-	1,763	-
Sheltered housing for older people	1,063	71	1,063	71
Supported housing	414	-	414	-
Low-cost home ownership	361	93	349	90
Leasehold where the Association owns the freehold	52	-	52	-
Total units social housing	**8,153**	**1,520**	**7,944**	**1,506**

The Association owns 434 (2018: 2,799) properties which are managed by others.

In development	2019	2018
	No. of units	No. of units
Social Housing		
General needs housing		
Affordable rent	277	250
Low-cost home ownership	28	20
Total units social housing	**305**	**270**

Movement in the year (owned properties)	No.of units
Opening number of units at 1 April 2018	**7,944**
New units developed	252
Units sold	(43)
Closing number of units at 31 March 2019	**8,153**

5. Profit on Disposal of Fixed Assets

	2019	2018
	£'000	£'000
Proceeds of sales	2,097	5,978
Carrying value	(1,400)	(4,374)
Total surplus	**697**	**1,604**

6. Interest Receivable

	2019	2018
	£'000	£'000
Bank interest receivable	215	67
Total	**215**	**67**

7. Interest and Financing Costs

	2019	2018
	£'000	£'000
Loans and bank overdrafts	9,375	8,952
Early redemption costs*	-	1,898
Amortisation of loan fees/loan premium	(127)	235
Notional interest on RCGF/DPF (Notes 20, 21)	28	7
Interest on SHPS and GMPF pension deficits (Note 29)	209	85
Interest capitalised on housing properties under construction	(386)	(1,058)
Total	**9,097**	**10,119**

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

The weighted average interest on borrowings of 4.5% (2018: 4.4%) was used for calculating capitalised finance costs.

8. Operating Surplus

	2019	2018
	£'000	£'000
The operating surplus is stated after charging:		
Auditor's remuneration (excluding VAT):	11	16
Fees payable to the company's auditor and its Associates for other services to the association:		
Taxation advice	3	3
Operating lease rentals:		
Land and buildings	104	138
Depreciation:		
Depreciation of housing properties	6,339	6,216
Depreciation of other fixed assets	676	733

9. Directors' Remuneration

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.

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, who was the highest paid director.

10. Employee Information

	2019	2018
	No.	No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Housing, support and care	92	97
Total	**92**	**97**

	2019	2018
	£'000	£'000
Staff costs		
Wages and salaries	2,197	2,242
Social security costs	159	161
Other pension costs	121	122
Total	**2,478**	**2,525**

During the year, there were no employees who received more than £60,000 per annum in salary payments (including pension and redundancy payments).

11. 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	489,223	11,289	31,142	1,239	532,893
Additions to properties acquired	454	22,706	47	795	24,002
Capitalised administration costs		679		108	787
Interest capitalised		357		29	386
Transfers to/from stock			407	1,773	2,180
Reclassification	(240)		240		-
Component replacements	2,367	(1)			2,366
Components replaced	(930)				(930)
Schemes completed	20,475	(20,475)	3,106	(3,106)	-
Disposals	(811)		(1,889)		(2,700)
At end of the year	**510,538**	**14,555**	**33,053**	**838**	**558,984**
Depreciation and impairment					
At start of the year	55,553	-	1,612	-	57,165
Charge for the year	6,116		227		6,343
Components replaced	(930)				(930)
Reclassification	(40)		40		-
Disposals	(157)		(74)		(231)
At end of the year	**60,542**	**-**	**1,805**	**-**	**62,347**
Net book value:					
At 31 March 2019	**449,996**	**14,555**	**31,248**	**838**	**496,637**
At 31 March 2018	433,670	11,289	29,530	1,239	475,728

	2019	2018
	£'000	£'000
Works to existing properties in the year:		
Improvement works capitalised	2,366	2,153
Amounts charged to expenditure	9,032	3,941
Total	**11,398**	**6,094**

All properties are held on either a freehold or long leasehold basis. There are 1,716 properties held on a long leasehold basis with an associated cost of £41.2m. 97% of the remaining lease periods are greater than 70 years.

Other fixed assets	Land and buildings £'000	Furniture and equipment £'000	Motor vehicles £'000	Total other fixed assets £'000
Cost				
At start of the year	7,432	5,255	416	13,103
Additions	3	772	40	815
Disposals	-	(208)	(99)	(307)
At end of the year	**7,435**	**5,819**	**357**	**13,611**
Depreciation and impairment				
At start of the year	2,246	3,213	165	5,624
Charge for the year	248	348	80	676
Disposals	-	(158)	(72)	(230)
At end of the year	**2,494**	**3,402**	**173**	**6,069**
Net book value:				
At 31 March 2019	**4,941**	**2,417**	**184**	**7,542**
At 31 March 2018	5,186	2,042	251	7,479

12. Investment Properties

	2019	2018
	£'000	£'000
At start of year	192	192
Additions	-	-
Gain from adjustment in value	169	-
At end of year	**361**	**192**

Investments properties relates to retail space at the Miles Platting office in Manchester. Fair value of the investment properties is based on a valuation on 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.

13. Stock

	2019	2018
	£'000	£'000
First tranche shared ownership properties		
Completed	511	458
Work in progress	84	2,316
Total	**595**	**2,774**

14. Trade and Other Debtors

	2019	2018
	£'000	£'000
Rent arrears	1,778	1,581
Less: provision for bad debts	(843)	(701)
Sub-total	**935**	**880**
Prepayments and accrued income	964	571
Amounts owed by group undertakings	202	38
Intra - Group loans	2,400	-
Social housing grant receivable	6,811	2,324
Other debtors	2,437	2,630
Total	**13,749**	**6,443**

A number of tenants in arrears are in formal repayment agreements with the Association. 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.

15. Investments

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

16. Cash and Cash Equivalents

	2019	2018
	£'000	£'000
Cash at bank	25,748	22,286
Total	**25,748**	**22,286**

17. Creditors: Amounts Falling Due Within One Year

	2019	2018
	£'000	£'000
Loans and overdrafts (Note 18B)	3,436	15,115
Trade creditors	119	421
Social housing grant received in advance	1,337	-
Amounts owed to group undertakings	1,016	1,590
Funds held on behalf of homeowners	238	195
Rents and service charges paid in advance	1,015	986
Other taxation and social security payable	361	283
Accruals and deferred income	3,826	3,242
Deferred capital grant (Note 19)	2,369	2,340
Recycled capital grant fund (Note 20)	1,078	806
Disposal proceeds fund (Note 21)	-	101
Other creditors	985	1,221
SHPS pension agreement plan (Note 29)	-	655
Total	**15,781**	**26,955**

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

	2019	2018
	£'000	£'000
Social housing loans (Note 18B)	210,439	188,977
Deferred capital grant (Note 19)	212,455	205,786
Recycled capital grant fund (Note 20)	2,016	2,422
SHPS pension agreement plan (Note 29)	-	3,749
Local authority loan	105	105
Disposal proceeds fund (Note 21)	-	71
Total	**425,016**	**401,110**

18(B). Debt Analysis

	2019	2018
	£'000	£'000
Social housing loans		
Loans repayable by instalments:		
Within one year	3,197	3,115
In one year or more but less than two years	16,285	3,197
In two years or more but less than five years	28,945	28,644
In five years or more	102,564	101,400
Loans not repayable by instalments:		
Within one year	-	12,000
In one year or more but less than two years	-	-
In two years or more but less than five years	2,000	13,000
In five years or more	58,400	46,026
Fair value adjustment on financial instruments		
Less: loan issue costs	(3,367)	(3,290)
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	**213,876**	**204,092**

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 Association at 31 March 2019 was:	Total	Variable rate	Fixed rate	Weighted average rate	Weighted average term
	£'000	£'000	£'000	%	Years
Instalment loans	137,991	4,750	133,241	4.84%	23.7
Non-instalment loans	73,400	24,000	49,400	3.85%	14.2
Total loans	**211,391**	**28,750**	**182,641**	**4.50%**	**20.4**

At 31 March 2019 the Association had the following borrowing facilities:	£'000
Undrawn facilities	57,250
Total	**57,250**

19. Deferred Capital Grant

	2019	2018
	£'000	£'000
At start of the year	208,126	205,253
Grant received in the year	9,791	6,929
Disposals	(727)	(1,225)
Released to income in the year	(2,366)	(2,681)
Adjustment	-	(150)
At end of the year	**214,824**	**208,126**
Amount due to be released within one year	2,369	2,340
Amount due to be released after more than one year	212,456	205,786
Total	**214,825**	**208,126**

20. Recycled Capital Grant Fund

	2019	2018
	£'000	£'000
At the start of the year	3,228	1,942
Inputs: Grants to recycle	631	1,093
Interest accrued	28	7
Transfer from other private registered providers	190	321
Recycling: Grants recycled	(982)	(135)
At the end of the year	**3,095**	**3,228**
Amount three years or older where repayment may be required	-	-

21. Disposal Proceeds Fund

	2019	2018
	£'000	£'000
At the start of the year	172	242
Net preserved right to buy receipts	-	-
Use of fund - new developments	(172)	(70)
At the end of the year	-	**172**
Amount three years or older where repayment may be required	-	-

22. Non-Equity Share Capital

	2019	2018
	£	£
Allotted issued and fully paid		
At the start of the year	23	23
Written-off during the year	-	-
At the end of the year	**23**	**23**

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.

23. Capital Commitments

	2019	2018
	£'000	£'000
Capital expenditure contracted for but not provided for in the Financial Statements	34,156	15,883
Capital expenditure authorised by the Board but not yet been contracted for	48,198	22,889
Total	**82,354**	**38,772**
The Association expects these commitments to be financed with:		
Social housing grant	19,105	7,220
Proceeds from the sales of properties	4,057	1,461
Committed loan facilities and surpluses generated from operating activities	59,192	30,091
Total	**82,354**	**38,772**

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

24. Operating Leases

Operating lease payment obligations are as follows:	2019	2018
	£'000	£'000
Land and buildings:		
Within one year	79	98
In one year or more but less than five years	253	285
In five years or more	242	289
Total	**574**	**672**

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.

25. Grant and Financial Assistance

	2018	2017
	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant (Note 20)	214,824	208,126
Recognised as income in Statement of Comprehensive Income	31,581	29,344
Total	**246,405**	**237,470**

26. Related Parties

The Jigsaw Group Structure is shown in Note 1.

Jigsaw Homes Group Limited 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:

	Income	Expenditure	Debtors/ (Creditors)
	£'000	£'000	£'000
Jigsaw Homes Group Ltd	-	14,551	157
Beech Housing Association	-	-	16
Chorley Community Housing	-	-	(55)
Palatine Contracts	-	9,730	(238)
New Charter Homes	-	-	8

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

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

27. Financial Instruments

	2019	2018
	£'000	£'000
Financial assets		
Financial assets measured at historical cost		
Trade receivables	935	880
Other receivables	12,813	5,563
Short term investments	2,630	1,283
Cash and cash equivalents	25,748	22,286
Total financial assets	**42,126**	**30,012**
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans payable	213,876	204,092
Financial liabilities measured at historical cost		
Trade creditors	119	421
Other creditors	226,802	223,551
	440,797	**428,065**

28. Gift Aid

Gift aid totalling £452k (2018: £332k) was received during the year from fellow Group members Beech Housing Association Limited (£122k) and Palatine Contracts Limited (£330k).

29. Pensions

Pension Obligations

The Association participates in two pension schemes: the Social Housing Pension Scheme (SHPS), and the Greater Manchester Pension Fund (GMPF). Both schemes are multi-employer defined benefit schemes. The schemes are funded and are contracted out of the state scheme.

	2019	2018
	£'000	£'000
Defined benefit pension liability:		
Social Housing Pension Scheme	6,677	-
Greater Manchester Pension fund	829	852
	7,506	**852**
Amounts recognised in operating costs:		
Social Housing Pension Scheme	421	-
Greater Manchester Pension fund	78	78
	499	**78**
Net amounts recognised in finance costs:		
Social Housing Pension Scheme	186	-
Greater Manchester Pension fund	23	23
	209	**23**
Actuarial gains/(losses) recognised in other comprehensive income:		
Social Housing Pension Scheme	473	-
Greater Manchester Pension fund	86	71
	559	**71**

Social Housing Pension Scheme (SHPS)

The Association 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 Association 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 Association 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

	£'000
SHPS past service deficit creditor due within one year as at 31 March 2018	(655)
SHPS past service deficit creditor due after more than one year as at 31 March 2018	(3,749)
Total SHPS past service deficit creditor as at 31 March 2018	(4,404)
Initial SHPS liability at 31 March 2018 on actuarial basis	(7,469)
Loss recognised in other comprehensive income	**(3,065)**

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

	31 March 2019	31 March 2018
	£'000	£'000
Fair value of plan assets	25,321	24,418
Present value of defined benefit obligation	31,998	31,887
Net defined benefit liability to be recognised	**(6,677)**	**(7,469)**

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2019
	£'000
Defined benefit obligation at start of period	31,887
Current service cost	402
Expenses	19
Interest expense	813
Contributions by plan participants	1
Actuarial gains due to scheme experience	(2)
Actuarial losses due to changes in demographic assumptions	972
Actuarial gains due to changes in financial assumptions	(758)
Benefits paid and expenses	(1,336)
Defined benefit obligation at end of period	**31,998**

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

	31 March 2019
	£'000
Fair value of plan assets at start of period	24,418
Interest income	627
Experience on plan assets (excluding amounts included in interest income) - gain	685
Contributions by the employer	926
Contributions by plan participants	1
Benefits paid and expenses	(1,336)
Fair value of plan assets at end of period	**25,321**

The actual return on the plan assets (including any changes in share of assets) for the Association over the period ended 31 March 2019 was £1.3m.

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

	31 March 2019
	£'000
Current service cost	402
Expenses	19
Net interest expense	186
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**607**

Defined Benefit Costs Recognised in Other Comprehensive Income

	31 March 2019
	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	685
Experience gains and losses arising on the plan liabilities - gain	2
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - loss	(972)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	758
Total amount recognised in other comprehensive income - gain (loss)	**473**

Assets

	31 March 2019	31 March 2018
	£'000	£'000
Absolute Return	2,191	2,983
Alternative Risk Premia	1,460	926
Corporate Bond Fund	1,181	1,003
Credit Relative Value	464	-
Distressed Opportunities	460	236
Emerging Markets Debt	874	985
Fund of Hedge Funds	114	804
Global Equity	4,260	4,823
Infrastructure	1,328	626
Insurance-Linked Securities	726	641
Liability Driven Investment	9,260	8,896
Long Lease Property	372	-
Net Current Assets	49	23
Private Debt	340	217
Property	570	1,124
Risk Sharing	765	226
Secured Income	907	905
Total assets	**25,321**	**24,418**

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

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.5%	2.6%
Inflation (RPI)	3.0%	3.2%
Inflation (CPI)	2.0%	2.2%
Salary Growth	2.3%	3.2%
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:

	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 £38,489 (2018: £37,249).

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

	Assets	Obligations	Net (liability) / asset
	£'000	£'000	£'000
Fair value of plan assets	2,259	-	2,259
Present value of funded liabilities	-	3,111	(3,111)
Opening position as at 1 April 2018	**2,259**	**3,111**	**(852)**
Service cost			
Current service cost*	-	78	(78)
Total service cost	**-**	**78**	**(78)**
Net interest			
Interest income on plan assets	61	-	61
Interest cost on defined benefit obligation	-	84	(84)
Total net interest	**61**	**84**	**(23)**
Total defined benefit cost recognised in surplus or (deficit)	**61**	**162**	**(101)**
Cashflows			
Plan participants' contributions	13	13	-
Employer contributions	38	-	38
Benefits paid	(71)	(71)	-
Expected closing position	**2,300**	**3,215**	**(915)**
Remeasurements			
Changes in financial assumptions	-	20	(20)
Return on assets excluding amounts included in net interest	106	-	106
Total remeasurements recognised in Other Comprehensive Income	**106**	**20**	**86**
Fair value of plan assets	2,406	-	2,406
Present value of funded liabilities	-	3,235	(3,235)
Closing position as at 31 March 2019	**2,406**	**3,235**	**(829)**

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

Information About the Defined Benefit Obligation

	Liability split (£'000) as at 31 March 2019	Liability split (%) as at 31 March 2019	Weighted average duration at previous formal valuation
Active members	1,865	57.6%	24.1
Deferred members	505	15.6%	17.7
Pensioner members	865	26.7%	11.0
Total	**3,235**	**100.0%**	**18.2**

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

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:	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	11%	348
0.5% increase in the salary increase rate	2%	78
0.5% increase in the pension increase rate	8%	264

30. Ultimate Controlling Party

The ultimate controlling party of the Association is Jigsaw Homes Group Limited, which is an entity registered under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing under the Housing Act. The consolidated accounts of Jigsaw Homes Group Limited can be obtained from Turner House, 56 King Street, Leigh, WN7 4LJ or via the Group's website at www.jigsawhomes.org.uk.

Creating homes. Building lives.

Jigsaw Homes Group Ltd.

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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