ITEM NO: 4.2.1

CCBS Number 8042

PENNAF LIMITED

Financial Statements

Year ended 31 March 2019

PENNAF LIMITED

INDEX

PENNAF LIMITED

COMPANY INFORMATION

DIRECTORS

Mr Stephen Porter	Chair
Mr Paul Robinson	Vice Chair
Mr Mike Hornsby	
Dr Sarah Horrocks	
Mr Frazer Jones	
Mrs S Mewies	
Mrs S Mogel	
Mrs E Stevens	
Mr Owen Watkins	
Mrs Clare Budden	
Mrs Dawn Burrows	

SECRETARY

P McGrady

REGISTERED OFFICE

72 Ffordd William Morgan
St Asaph Business Park
St Asaph
Denbighshire
LL17 0JD

REGISTERED NUMBER

4644360

NATIONAL ASSEMBLY REGISTRATION NUMBER

J136

AUDITORS

Beever and Struthers
St George's House
215-219 Chester Rd
Manchester
M15 4JE

BANKERS

Barclays Bank Plc
Corporation Banking Centre
PO Box 1015
3rd Floor
Windsor Court
Windsor Place
Cardiff
CF10 3ZL

The Board present the Operating and Financial Review including the Strategic Report. The Strategic Report requirements are met as follows:

- Principal risks and uncertainties facing the company during the year and in future periods pages 6 to 7 in the Risk Management section.
- A balanced, comprehensive and consistent view of the business is provided:
  - i. For the current year on pages 3 to 5, section Group Structure and Financial Review.
  - ii. As at the end of the year;
- Financial and Non-financial Key Performance Indicators pages 6 to 10, sections Risk Management Mitigation and also Development and Asset Management and Treasury Management.

STRATEGIC REPORT

STRATEGIC DIRECTION

2018/19 has been another year of significant change for the business. Work was undertaken to simplify the group structure and reduce the number of companies within the group. This work was completed at the end of the financial year and resulted in a reduction from 7 to 4 companies. Consequently, Pennaf Ltd was dissolved with Clwyd Alyn becoming the main company in the group.

The group continued its focus on building new properties and taking advantage of the additional funds provided by the refinancing exercise undertaken in 2017. This allowed 183 new units to start on site during the year.

In previous years, in addition to the public bond and Revolving Credit Facility agreed with Barclays, the group also agreed a project finance facility with Standard Life Investments. This allowed the development of three extra care facilities totalling 196 apartments which were completed during 2018/19.

In 2017/18 the Group had 2 rating agencies, Moody's, which gave a rating of Aaa (with negative outlook – downgraded by the sovereign downgrade by one notch in September 2017) and S&P, which gave a rating of A stable. During 2018/19 the group decided to retain one credit rating and chose to continue with S&P.

GROUP STRUCTURE AND FINANCIAL REVIEW

During the year a group restructure was undertaken which was concluded on 1st April 2019. This resulted in the following changes:

Company	Change
Pennaf Ltd	Dissolved and activities transferred to Clwyd Alyn
Ty Glas Housing Society	Dissolved and activities transferred to Clwyd Alyn
Clwyd Alyn Housing Association	Name changed to ClwydAlyn Ltd and designated parent company for the group
Pen Arian Housing Finance PLC	Parent changed to ClwydAlyn
Tir Tai	Parent changed to ClwydAlyn
Tai Elwy	New company to deliver commercial opportunities

This set of accounts is therefore prepared for the original group structure

Accounting Policies

The main accounting policies of the Group are set out in Note 1 to the financial statements.

Operating Results 2018-19

The Group accounts show a year-end surplus before taxation of £3.108m. This is split across the entities as follows:

Pennaf Ltd	£358k
Ty Glas Housing Society	(£82k)
Clwyd Alyn Housing Association	£2.702m
PenArian Housing Finance PLC	£1k

Tir Tai	£172k
Less Tir Tai Unrealised Surplus	(£172k)

Pennaf Limited, the parent of the Group, was incorporated on 22nd January 2003 and registered as an RSL with WG on 31st March 2003. It is a company limited by guarantee and provides corporate services to the members of the Group. Its income is derived from the sale of these services within the Group and from the sale of technical services to other agencies and bodies.

The turnover for the year was £7,486,244, reflecting a 37.4% increase on the previous year, which was a 0.42% decrease from 2016/17. The costs increased to £7,071,306 this is a 38.4% increase in costs against the previous year, which was itself a 7.4% reduction on 2016/17. Actuarial losses in respect of pension schemes total £1,255,027 in Other Comprehensive Income.

The move to DB pension accounting required the prior NPV of future contributions provision of £1.573m at 31 March 18 to be cleared and replaced with the fair value of the scheme assets (£7,524) and obligations (£9,861), a net pension provision of £2,337 and movement of £764k. Combined with the actuarial losses during the year of £491k a total of £1,255k has been posted through Other Comprehensive Income. As a result the Total Comprehensive Income for the year was a deficit of £897k, before taxation.

Tŷ Glas Housing Society Limited is an exempt charity. At the end of 31st March 2019 the only activities of Tŷ Glas are:

- 177 properties - acquired in 2015/16 from Clwyd Alyn via a lease and leaseback arrangement from Aviva plc;
- 96 apartments - the ownership of 2 extra care schemes from Clwyd Alyn, acquired as part of the Standard Life arrangement in June 2016;
- 196 apartments in 3 new extra care schemes funded by Standard Life Investment Fund. The development of the schemes was completed during the year.

In all cases, the operational management of the units rests with Clwyd Alyn via a management agreement between Clwyd Alyn and Tŷ Glas.

The turnover for the year for Tŷ Glas was £3,698,927 compared to £2,232,513, an increase of £1,466,414 (65.7%). The costs increased by £765,546 (43.2%) at £2,536,909, showing an increasing level of operating surplus to £1,162,018, an increase of £700,868 (152%). Interest receivable was reduced from £13,855 to £7,288 and interest payable reduced from £1,387,231 to £1,251,589 (£135,642). The Standard Life funded properties were completed during the year and are now fully operational. However there was another deficit for the year as a result of paying interest on the full Standard Life funding of £25.5m, and the inability for full capitalisation due to the additional grant funding at the end of 2017/18, with less than 6 months revenue from the new schemes. A Group restructure effective from 1st April 2019 has resulted in Ty Glas being amalgamated into Clwyd Alyn which becomes the new parent company of the Group. Ty Glas would however have budgeted for a surplus in 2019/20 with the new extra care schemes being in management for the full year.

The move to DB pension accounting required the prior NPV of future contributions provision of £169k at 31 March 18 to be cleared and replaced with the fair value of the scheme assets (£710k) and obligations (£926k), a net pension provision of £216k and movement of £47k. Combined with the actuarial losses during the year of £64k a total of £111k has been posted through Other Comprehensive Income. As a result the Total Comprehensive Income for the year was a deficit of £193k, before taxation.

Clwyd Alyn Housing Association Limited is the main asset owning body within the Group. Founded in 1978 as a non-charitable Registered Social Landlord (RSL) to answer the growing housing needs of the community throughout the former County of Clwyd and the District of Aberconwy, since its incorporation it has expanded to manage 5,530 units in six unitary authority areas (Denbighshire, Flintshire, Conwy, Wrexham, Powys and Anglesey) at March 2019. Clwyd Alyn's primary role is the provision of housing and related care needs for a range of community needs. On 1st July 2003, Clwyd Alyn adopted charitable rules and both Clwyd Alyn and Ty Glas became subsidiaries of Pennaf Limited.

The Association provides a range of accommodation and services, categorised into three operational service areas i.e. General Needs, Low Cost Home Ownership and Housing with Care and Support. In addition to being one of the largest Housing Association in Wales, Clwyd Alyn has the largest stock of Shared Ownership Schemes and the second largest stock of Supported Housing. As noted above, Clwyd Alyn also owns a number of commercial units,

but all simply cover cost and management and are not designed for profit purposes. All such income sits in the Lettings Income section of Note 3 in the Statutory Accounts under Non-social housing activities.

Clwyd Alyn had an establishment of 529 staff at 31st March 2019 (530 staff 31/3/17), a reduction of 1.
At 31st March 2019, the Association had 5,530 units of accommodation. Clwyd Alyn's numbers have increased by a net 29 units, comprising the following:

30 properties	-	general needs
41 properties	-	developed on a Homebuy basis

However:

24 properties	-	Low Cost Home Ownership / Homebuy units were finally sold.
18 Group Home units	-	No longer managed by the Group

Within the total of Clwyd Alyn's properties 122 are managed by Offa, which is now part of Pennaf, as their charges are at market rent because they were developed without Social Housing Grant.

The result for the year to March 2019 is a surplus on ordinary activities of £2,702m. This compares to a deficit of £11.437m for the year to March 2018. There has been an increase in interest payable, from £5.673m in 2018 to £5.861m in 2019. The surpluses on sale of properties have increased from a deficit of £31k in 2018, to a £409k surplus in 2019.

The overall operating surplus reduced by £1.794m to £8.231m principally due to the following factors:

a) **Income**

Income from social housing lettings increased by £1.83m. This was as a result of a combination of approved rental increases, and increased service charges.

b) **Expenditure**

Overall operating costs increased by £3.97m. In particular:

i) Increase in management costs of £1.706m.

ii) Increase in reactive maintenance costs of £474k, from £5.337m in 2018 to £5.81m in 2019. Major repairs expenditure has increased by £421k, from £600k in 2018 to £1.021m in 2019.

iii) Depreciation has increased in the period from £3.796m in 2018 to £3.958m in 2019. There was an increase in properties during the year.

iv) Service charge costs have increased from £12.765m to £13.870m.

v) The bad debts charge increased by £102k.

vi) Increase in gain on disposal of housing properties of £440k

Tir Tai Limited was incorporated on 29th April 2009 and is also a company limited by guarantee. Its purpose is to act as the development company within the Group primarily for Clwyd Alyn Housing Association but also for any other Group members or external clients. The company is a subsidiary of Pennaf Limited by virtue of the control of the appointment of the majority of the Board members. However, for VAT purposes the company stands outside of the VAT Group. It does not have any staff or any properties.

The result for the year is a surplus of £145,601, before gift aid and before taxation (2018 £197,376). The Company also made a gift aid donation of £120,000 (2018 £270,000).

PenArian Housing Finance plc was incorporated on 11th May 2017 as the new issuer of the bonds within the Group. It does not seek to make surpluses or deficits and this year made a minor surplus of £921 before taxation.

Group Aims

The Group primarily provides housing, and where relevant, care and support, to a wide variety of client groups including families, single persons, elderly, persons with learning and physical disabilities and various projects for vulnerable groups. Projects range from general family accommodation through supported living to low cost home ownership and homeowners through PenCartref. In addition, Pennaf provides general corporate services (HR, Finance, IS etc) and specialist services (e.g. Development and Technical Services).

GOVERNANCE

Member Boards

Ultimately each Board within the Group is responsible for its own business. In order to achieve stated overall objectives, the Boards determine the strategy and policies, which are then implemented through the Group Management Team. Pennaf has effective control of all subsidiaries through appointing the majority of their Board Members.

The board has determined the mix of skills, knowledge and experience it needs to govern, lead and deliver the organisation's purpose effectively. It reflects this mix in its board member appointments, balancing the need for continuity with the need to refresh the board. Non-Executive pay is based on independent advice and reflects levels of responsibility, size and complexity of the Group. There is an annual appraisal process in place to assess individual Board / Committee member performance and as well as the collective performance of the Board.

On 31st March 2018, the Group Chief Executive, Graham Worthington, retired after 22 years' service. He was replaced by Clare Budden on 16th April 2018, who brings a great deal of experience both from within the sector as well as from a local authority perspective.

Risk Management

The current business environment for housing providers is unprecedented in the challenges ahead which will test the robustness of financial plans. Business Resilience is increasingly a key priority with pressures on income and expenditure which ultimately could challenge the Group's viability without adequate steps to mitigate the risks.

Some risks faced by the Group are not fully controllable, such as welfare reform and funding cuts which are outside of the Group's influence but do demand a reactive response from the Group to the risk presented.

The Group has a comprehensive Risk Management process in place and risks are categorised as 'Strategic' or 'Operational'. The risk management strategy implementation is monitored and reviewed quarterly by the Assurance Committee, with strategic risks being reported quarterly to the Clwyd Alyn Board.

The Strategic risks affecting the Group are summarised below. Risks are categorised on the basis of the likelihood of them occurring and the potential impact should they do so.

Strategic Risks RAG Summary

Strategic Risk (no. of Risk Maps)	Assessment of Risk	Current Risk Score (Mar '19)	Achieve Target Risk Score by
Bad debts as a result of Welfare Reforms	High	High	Mar 20
Inability to deliver investment programme in new homes	Medium	Medium	Nov 19
Major unplanned fall in income or increase in expenditure and liabilities	Medium	Medium	Aug 19
Health & Safety	Medium	Medium	Mar 20
Regulatory intervention	Low	Low	Ongoing
Loan covenant breach	Low	Low	Ongoing
Major business interruption	Low	Low	Ongoing
Cash crisis and inability to access funding	Low	Low	Ongoing

There are detailed risk maps supporting each of the above risks with specific interventions to mitigate the risk. The underlying key issues to managing all the above risks are ensuring that agreed mitigating actions are implemented, early warnings and trends are monitored to facilitate early corrective action and regular reviewing of the environment to ensure that any emerging issues affecting the Group's strategy are considered. The Group has developed 'Assurance Risk Maps' to support its strategic risks.

EQUAL OPPORTUNITIES

The group takes its equality and diversity responsibilities seriously. The group published its gender pay gap report during the year and is taking steps to reduce the imbalance. It also has comprehensive policies in place to recruit and retain the best staff and ensure services are provided to tenants and customers that meet their needs as fully as possible.

EMPLOYEE INVOLVEMENT

The Group's commitment to maintaining the involvement of employees in its operations is still paramount. Staff are informed on matters affecting them and on the progress of the Group through negotiations and consultation with staff representatives (via its Joint Consultative Committee), and through formal and informal briefings

DEVELOPMENT AND ASSET MANAGEMENT

Development

In 2018-19 the group drew down £15.5m of Social Housing Grant. This amount is inclusive of new grant streams including Rent to Own and Innovative Housing Grant. The growth in the Group's stock is continuing at a steady pace delivering 277 units of accommodation through a combination of Social Housing Grant, other Welsh Government Grants, and private finance. The majority of these new units were delivered through the development of the 3 extra care schemes for Ty Glas, the developments commenced in 2016/17.

183 homes equating to an estimated total scheme cost of £29.5m were started in 2018-19.

At the start of the year, £5m of grants from Welsh Government were anticipated. At the end of 2018-19 bids for extra grant to Welsh Government following a number of new schemes starting on site meant we were able to access an additional £10.5m. This was achieved by the Group identifying and bringing forward schemes to assist Local Authorities and WG with an underspend in the grant regime.

Asset Management

The Group's approach to asset management is based on the Planned Maintenance and Asset Management Strategies as approved by the Boards of Management. The aim is to provide an efficient and effective repairs service and to maintain the life of the Group's properties by renewing the components of the properties in a timely manner following the interpretation of results from stock condition surveys and life cycle study of the components.

The Group prepares an expenditure profile of the projected programme of Planned Maintenance and Improvement works over a period of 35 years to enable programming and budgeting to be undertaken together with a five year rolling programme of cyclical painting. A detailed five year rolling programme is reviewed on an annual basis. Integrated into the Planned Maintenance and Improvement Programme is the improvement work required to ensure, as far as practicable, all stock complies with the Welsh Government "Housing Quality Standards for Existing and Rehabilitated Dwellings".

There was a general improvement in responsive repairs performance during this financial year and remained within established targets and the emergency response rates particularly improved. Performance in terms of response has worsened over the last 12 months as shown below. The approach to determining customer satisfaction has been changed to match the STAR survey, which is a nationally accepted survey which is independently reviewed each year and incorporated in the Welsh Government Performance Standards.

There has been a slightly worsened performance in the average cost of a reactive repair, increased by 8.24%, and planned improvement this year as detailed in the table below compared to previous years which is mixed.

Responsive repair performance

Category of Repair	2016/17 days	2017/18 days	2018/19 days	Within target	Improvement / Deterioration
Emergency	0.77	0.80	0.62	✓	↑
Average Time To Complete A Repair	14.73	16.26	17.59	✓	↓

Comparison of cost

Category	Average cost 2017/18	Numbers	Average cost 2018/19	Numbers	Improvement / Deterioration
Responsive	£113.29	21,561	£123.27	20,443	↓
Kitchen Replacement	£3,571	131	£3,660	168	↓
Bathroom Replacement	£2,757	339	£2,703	297	↑
Boiler Replacement	£1,775	152	£1,798	143	↓
Electrical Heating Replacement Systems	£,3,294	7	£,3,222	33	↑

While there has been slight deterioration on some of the responsive categories, they are still well within target and should be understood within the context of 99.1% customer satisfaction.

TREASURY MANAGEMENT

During the year the Treasury Management activities of all members of the Group were controlled on a Group basis by the Director of Finance and the Executive Director of Resources with detailed scrutiny provided by the Board of Management. The Group employs the services of external consultants where appropriate and these have helped to draft the Finance Strategy and Treasury procedures, which have been approved by the Group Board. The purpose of the treasury management function is to ensure that adequate cost effective funding is in place to meet the Group's financial obligations and to minimise the Group's exposure to financial risk. The function is subject to internal and external audit.

Cash flow forecasting is undertaken via a robust process involving weekly, monthly, quarterly and annual forecasts as well as longer term planning. The Group had a policy of minimising any cash held wherever possible. However, the new restructure of Clwyd Alyn's debt and the advent of the bond means that the Group now has very significant cash surpluses. Where surplus funds are held it has been the policy that these funds are invested to maximise interest receivable while minimising risk.

In the year, the Group, drew down funds in the form of Social Housing and other Grant as follows:

- Clwyd Alyn - £14,639k
- Ty Glas - £828k

Of this, £3.6m was received in April 2018 relating to WG awards in 2017/18. At the end of March 2018 Clwyd Alyn's bank and investments was £27m which is a result of the debt restructure, the bond and capital grant receipts at the year end.

Likewise, at the end of March 2019 Ty Glas bank balance was £4,607k which includes the remaining Standard Life funds fully drawn down in June 2016 but not yet used for development. The unused funds are locked down in a

specific bank account which until the completion of the extra care developments and are outside the Group's access for treasury.

In addition, for liquidity purposes, in October 2017 Clwyd Alyn entered into a £25m 5-year revolving credit facility with Barclays Bank plc at a rate of 1.3% above Libor, as yet this hasn't been accessed.

In line with the Association's Treasury procedures, Barclays, Santander, Lloyds and Nationwide have been used to deposit excess funds between April 2018 and March 2019, except for excess funds from the Standard Life facility.

The details of drawn facilities at the year-end are as follows:

Loan facility	2018 £'000	2019 £'000
Fixed rate	**203,750**	**208,305**
Variable rate	**0**	**0**
Total	**203,750**	**208,305**
Available unused facilities	**25,000**	**25,000**
Average interest rate	**3.44%**	**3.56%**

Internal Financial Controls

Each Board within the Group bears responsibility for ensuring that the organisation operates a secure control environment. The controls serve to give reasonable assurance with regard to:

- The reliability of financial information used within the Group and for publication
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorised use.

The Boards are responsible for establishing and maintaining systems of internal financial control. Such systems cannot provide categorical assurance against material financial misstatements or loss, but can be expected to provide reasonable assurance.

Key elements in ensuring a secure environment include:
- The presence of formal policies and procedures
- Clear delegation of authority
- A suitable level of experienced and suitable qualified staff
- Proper performance appraisal
- The preparation and monitoring of forecasts and budgets
- Suitable authorisation of major commitments which might put the Group at risk
- A robust and independent internal audit service, reporting appropriately to members, with suitable follow up mechanisms in place.

The Group Audit Committee has reviewed the effectiveness of the system of internal control in the Group for the year ended 31st March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements, and the Boards are not aware of any such weaknesses from 1st April 2018 to date.

The Strategic Report was approved by the Board on 29th July 2019 and signed on its behalf by:

P McGrady
Secretary

The directors present their report and the Group's financial statements for the year ended 31st March 2019.

Information included in the Strategic Report, that precedes the Report of the Directors; are the following:

- A fair review of the business;
- A description of the principal risks and uncertainties and financial risk management objectives and policies;
- An analysis of the development, performance and position of the business; and
- Analysis using key performance indicators.

RESULTS

The results of the Group and Company for the year are set out in the financial statements and included in the strategic report.

FIXED ASSETS

Details of changes in fixed assets are given in the financial statements.

DIRECTORS

The directors set out below have held office during the whole of the period from 1st April 2018 to the date of this report unless otherwise stated.

Mr S Porter	(Appointed Chair 19 July 2017 / Resigned 31 March 2019)
Mr P Lewis	(Appointed Vice Chair 19 July 2017 / Resigned 31 March 2019))
Mrs S Mogel	(Resigned 31 March 2019)
Dr S Horrocks	(Resigned 31 March 2019)
Mr M Hornsby	(Resigned 31 March 2019)
Mr P Robinson	(Resigned 31 March 2019)
Mrs L C Budden	(Appointed 16 April 2018 / Resigned 31 March 2019)

The company has qualifying third party indemnity provisions in place for the directors of Pennaf Limited.

The Pennaf Group structure has been amalgamated with effect from 1 April 2019 with Ty Glas amalgamating into Clwyd Alyn Housing Limited, the new parent company. As such the Board of Management of Clwyd Alyn Housing Limited will sign the accounts. The Clwyd Alyn Housing Limited Board is as follows:

Clwyd Alyn Housing Limited Board of Management

Chair

Mr Stephen Porter

Serving Board Members

Mr Stephen Porter	(Appointed Chair: 1st April 2019)
Mr Paul Robinson	(Appointed Vice Chair: 1st April 2019)
Mr Mike Hornsby	(Appointed 1st April 2019)
Dr Sarah Horrocks	(Appointed 1st April 2019
Mr Frazer Jones	(Appointed 1st April 2019
Mrs S Mewies	(Appointed 1st April 2019)
Mrs S Mogel	(Appointed 1st April 2019)
Mrs E Stevens	(Appointed 1st April 2019)
Mr Owen Watkins	(Appointed 1st April 2019)
Mrs Clare Budden	(Appointed 1st April 2019)
Mrs Dawn Burrows	(Appointed Co-Optee: 21st May 2019)

DONATIONS

The Group made charitable donations of £4k (2018 £3k).

GOING CONCERN

Under the governance requirements, the Board confirms that after making enquiries they have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the accounts.

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make them aware of any relevant audit information (as defined) and to establish that the Group's auditor is aware of that information.

AUDITOR

Beever and Struthers

BY ORDER OF THE BOARD

Approved by the Board on 29th July 2019 and signed on its behalf by:

P McGrady
Secretary

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

Company law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the surplus or deficit of the group and company for that period.

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 company will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Opinion

We have audited the financial statements of Pennaf Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Changes in Reserves, the Group Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and 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 income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements of Registered Social Landlords General Determination (Wales) 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 to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Opinion on other matters prescribed by the Housing Association Circular RSL 02/10: Internal controls and reporting

With respect to the Board's statement on internal financial controls on page 8, in our opinion

- The Board have provided the disclosures required by the Housing Association Circular RSL 02/10: Internal controls and reporting; and
- The Board's statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 11, 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 determines 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 is responsible for assessing the Group's 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 intends 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 web-site 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 Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers, Statutory Auditor

St George's House

215/219 Chester Road

Manchester

M15 4JE

Date:

PENNAF LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3	**43,413**	39,446
Operating costs	3	**(34,013)**	(28,607)
(Loss)/surplus on sale of fixed asset properties	5	**409**	(31)
OPERATING SURPLUS	3	**9,809**	10,839
Interest receivable and similar income		**327**	75
Interest payable and similar charges	6	**(7,157)**	(7,001)
Loan breakage costs	6	**0**	(15,904)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,979**	(12,022)
Tax on surplus on ordinary activities	7	**(321)**	(60)
SURPLUS FOR THE YEAR		**2,658**	(12,082)
OTHER COMPREHENSIVE INCOME			
Actuarial losses in respect of pension scheme	19	**(5,365)**	-
TOTAL COMPREHENSIVE INCOME		**(2,707)**	(12,082)

The Group's turnover and expenses all relate to continuing operations.

GROUP STATEMENT OF CHANGES IN RESERVES

	Restricted reserve £'000	Income and expenditure reserve £'000	Total reserves £'000
At 1 April 2017	24	15,375	15,399
Surplus and total comprehensive income for the year	-	(12,082)	(12,082)
Big Lottery Grant received	69	-	69
Big Lottery Grant expenditure	(58)	-	(58)
At 31 March 2018	35	3,293	3,328
Deficit and total comprehensive expenditure for the year	-	(2,707)	(2,707)
Big Lottery Grant received	17	-	17
Big Lottery Grant expenditure	(52)	-	(52)
At 31 March 2019	**0**	**586**	**586**

Mr S Porter - Chair

Mr P Robinson - Vice Chair

Mr P McGrady - Secretary

PENNAF LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3	**7,486**	5,449
Cost of sales	3	**(7,072)**	(5,107)
OPERATING SURPLUS	3	**414**	342
Interest payable	6	**(57)**	(23)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		**358**	319
Taxation on surplus on ordinary activities	7	**(316)**	(62)
SURPLUS FOR THE YEAR		**42**	257
OTHER COMPREHENSIVE INCOME			
Actuarial losses in respect of pension scheme	19	**(1,255)**	0
TOTAL COMPREHENSIVE INCOME		**(1,213)**	257

The Company's turnover and expenses all relate to continuing operations.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Revenue reserves £'000
At 1 April 2017	(791)
Surplus and total comprehensive income for the year	257
At 31 March 2018	(534)
Surplus and total comprehensive income for the year	(1,213)
At 31 March 2019	**(1,747)**

Mr S Porter - Chair

Mr P Robinson - Vice Chair

Mr P McGrady - Secretary

PENNAF LIMITED

GROUP STATEMENT OF FINANCIAL POSITION
As at 31 March 2019 **CCBS Number 8042**

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets			
Housing properties - Cost	11	**443,700**	420,626
- Depreciation	11	**(56,375)**	(52,482)
		387,325	368,144
Other tangible fixed assets	12	**4,272**	3,284
FIXED ASSET INVESTMENTS			
Homebuy loan	13	**3,218**	3,231
		394,815	374,659
CURRENT ASSETS			
Stocks	14	**190**	167
Debtors – due after one year	15	**2,490**	2,329
Debtors – due within one year	15	**3,501**	2,338
Investments	16	**65**	65
Cash at bank and cash equivalents		**31,914**	33,860
		38,160	38,759
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	**(12,935)**	(12,263)
NET CURRENT ASSETS		**25,225**	26,496
TOTAL ASSETS LESS CURRENT LIABILITIES		**420,040**	401,155
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	**(409,241)**	(398,128)
PROVISION FOR LIABILITIES			
Pension – Defined Benefit Liability		**(10,197)**	–
DEFERRED TAXATION	22	**(16)**	301
NET ASSETS		**586**	3,328
CAPITAL AND RESERVES			
Non-equity share capital	23	**-**	-
Reserves		**586**	3,328
		586	3,328

The financial statements on pages 14 to 46 were approved by the Board of Management on 29th July 2019 and were signed on its behalf by:

Mr S Porter - Chair

Mr P Robinson - Vice Chair

Mr P McGrady - Secretary

PENNAF LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2019 **CCBS Number 8042**

	Notes	2019	2018
		£'000	£'000
FIXED ASSETS			
Tangible assets	12	**953**	80
Investments	28	**50**	50
		1,003	130
CURRENT ASSETS			
Debtors	15	**1,471**	1,409
Cash at bank and cash equivalents		**305**	170
		1,776	1,579
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	**(1,880)**	(680)
NET CURRENT ASSETS / (LIABILITIES)		**(104)**	899
TOTAL ASSETS LESS CURRENT LIABILITIES		**899**	1,029
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	**(37)**	(1,865)
PROVISION FOR LIABILITIES			
Pension – Defined Benefit Liability	19	**(2,593)**	0
DEFERRED TAXATION	22	**(16)**	301
NET LIABILITIES		**(1,747)**	(534)
CAPITAL AND RESERVES			
Called up share capital	23	**-**	-
Profit and loss account		**(1,747)**	(534)
SHAREHOLDERS' DEFICIT		**(1,747)**	(534)

The financial statements on pages 17 to 53 were approved by the Board of Management on 29th July 2019 and were signed on its behalf by:

Mr S Porter - Chair

Mr P Robinson - Vice Chair

Mr P McGrady - Secretary

PENNAF LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	Group	
	2019	2018
Cash from operating activities	**£'000**	£'000
Surplus / (deficit) for the financial year	**(2,578)**	(12,082)
Depreciation of fixed assets	**4,674**	4,346
Impairment losses	**307**	-
Amortised grant	**(1,576)**	(1,439)
Interest payable and loan breakage costs	**7,157**	22,904
Interest received	**(327)**	(75)
Tax on surplus for the year	**321**	60
(Increase) / decrease in trade and other debtors	**(1,433)**	(1,510)
Increase / (decrease) in trade and other creditors	**612**	227
(Increase) / decrease in stocks	**(24)**	(41)
Increase / (decrease) in provisions	**10,197**	-
Add back deficit / (surplus) on sale of fixed assets	**(538)**	31
Difference between pension expense /cash contribution	**(5,488)**	(864)
Cash from operations	**11,304**	11,557
Taxation paid	**(11)**	(38)
Net cash generated from operating activities	**11,293**	11,519
Cash flow from investing activities		
Purchase of fixed assets – housing properties	**(24,018)**	(25,879)
Purchase of fixed assets – other	**(1,446)**	(274)
Proceeds from sale of fixed assets	**1,205**	3,924
Grants received	**15,344**	7,797
Grants repaid	**(104)**	(3,092)
Interest received	**327**	75
Net cash from investing activities	**(8,692)**	(17,449)
Cash flows from financing activities		
Interest paid and loan breakage costs	**(7,638)**	(22,202)
New loans	**3,118**	160,592
Loans repaid	**(98)**	(127,836)
Debt issue costs incurred	**71**	(1,782)
Net cash used in financing activities	**(4,547)**	8,772
Net increase in cash and cash equivalents	**(1,946)**	2,842
Cash and cash equivalents at beginning of year	**33,860**	31,018
Cash and cash equivalents at the end of the year	**31,914**	33,860
Free cash flow		
Net cash generated from operating activities,	**11,774**	11,519
Interest and loan breakage costs paid	**(7,638)**	(22,202)
Interest received	**327**	75
Adjustments for reinvestment in existing properties:		
Component replacements	**(2,501)**	(1,971)
Free cash generated before loan repayments	**1,962**	(12,579)
Loans repaid	**(91)**	(127,836)
Free cash generated after loan repayments	**1,871**	(140,415)

LEGAL STATUS

Clwyd Alyn Housing Association Limited is incorporated in Wales under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a Registered Social Landlord. The registered office is 72 Ffordd William Morgan, St Asaph Business Park, St Asaph, Denbighshire, LL17 0JD.

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Applicable Accounting Standards in the United Kingdom and in accordance with the Accounting Requirements for Registered Social Landlords (General Determination) Wales 2015, and the 2014 Statement of Recommended Practice, "Accounting by Registered Social Housing Providers" issued by the National Housing Federation.

The association is a Public Benefit Entity (PBE) and has applied the provisions for FRS102 specifically applicable to PBE's. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and are presented in sterling £'000 for the year ended 31 March 2019.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgement in applying the Company's accounting policies (Note 2).

The following principal accounting policies have been applied:

Basis of preparation

After reviewing the Group's and Company's forecasts and projections, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continues to adopt the going concern basis in preparing its financial statements.

The accounting relating to the Social Housing Pension Fund has not been consistently applied. The consolidated financial statements have applied Financial Reporting Exposure Draft 71 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 March 2019.

Subsidiaries are included in the financial statements using the acquisition method of accounting. Accordingly the group statement of comprehensive income and cash flows statement include the results and cash flows of subsidiaries for the period since their acquisition. Purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Turnover

Turnover represents rents, service charge, net of empty property voids, revenue grants receivable in respect of tenanted properties, amortisation of grants and other sundry income. All turnover is derived from operations within Wales. Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

1 ACCOUNTING POLICIES (Continued)

Government grants

Grants received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with the Housing SORP 2014 the useful economic lives of the housing property structure is 125 years which is in line with the rate of depreciation for housing structures as detailed in the depreciation table below.

Where social housing grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants for revenue expenditure are recognised in comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

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

Fixed asset investments - Homebuy loans

Under the Homebuy Option the Association advances 30% of the value or cost of the property to a purchaser. The advance is secured by a second charge on the property. This loan is financed in full by SHG from the Welsh Government.

When a property is sold 30% of the sales proceeds or the loan (whichever is lower) are recovered and the equivalent grant repaid. The grant is held within creditors until repaid.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

Operating leases

Rental payable under operating leases are charged on a straight-line basis over the term of the lease.

Shared ownership sales – first tranche

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element is included in completed housing property at cost. Sales of subsequent tranches are treated as a part disposal of property plant and equipment. Such stair-casing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the statement of comprehensive income.

1 ACCOUNTING POLICIES (Continued)

Retirement benefits

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

The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRD71 ('Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. Further disclosures in this area are included in note 19.

Depreciation

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in the periods in which economic benefits are expected to be consumed.

Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life.

Depreciation of the structure is charged so as to write down the cost of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their expected useful economic lives. Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Structure	125 years
Roofs	75 years
Kitchens – general needs	25 years
Kitchens – supported needs	10 years
Kitchens – hostels & homeless	6 years
Bathrooms – general needs	25 years
Bathrooms – supported needs	15 years
Bathrooms – hostels & homeless	8 years
Doors – general needs / supported needs	25 years
Doors – hostels & homeless	20 years
Windows – general needs / supported needs	30 years
Windows – hostels & homeless	25 years
Fire Systems – general needs / supported needs	20 years
Fire Systems – hostels & homeless	10 years
Solar Panels	25 years

1 ACCOUNTING POLICIES (Continued)

The group has an active asset management strategy whereby all units with voids over six weeks are reviewed. Impairment reviews have been undertaken on schemes where voids are known to be particularly high over a sustained period of time. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purpose of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit.

The group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Depreciation on other fixed assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Offices	50 years
Fixtures and fittings	10 years
Computer equipment & software	3 years
Vehicles	4 years

Tangible fixed assets – Housing Properties

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development. The directly attributable costs include the labour costs of the group's own employees which arise directly from the construction or acquisition of the property, along with the incremental costs which would have been avoided if the property had not been constructed or acquired.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1 ACCOUNTING POLICIES (Continued)

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 income statement in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less. Certain funds held in the Ty Glas Housing Society development account are available immediately, subject to authorised certificates of work being completed.

Recoverable amount of rental and other trade receivables

The group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Loans, investments and short term deposits

All loans, investments and short term deposits held by the group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the group has determined that the difference between the historical cost and amortised cost basis is not material except for inflation indexed loans. Therefore the non indexed loans are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Stocks

Stocks represent tools and equipment held for maintenance and repairs. Stock is stated at the lower of cost and net realisable value.

Holiday pay accrual

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

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources, or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Accounting for the Social Housing Pension Scheme ('SHPS').

The Board's view, considering the guidance issued in FRED 71 and guidance issued by the National Housing Federation, is that the difference between the deficit funding agreement previously recognised in relation to SHPS, and the net defined benefit deficit, should be recognised in Other Comprehensive Income. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have data to provide sufficient information before the date 31 March 2018.

2 JUDGEMENTS IN APPLYING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the group's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of the assets where there are indicators of impairment based on EUV-SH (existing use value social housing) or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for sale. This judgement is also on the member's best estimate of sales value based on economic conditions within the area of development.
- Whether leases entered into by the group either as a lessor or a lessee are classified as operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments; and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.
- The estimate for rental and other trade receivables relates to the recoverability of the balance outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.
- The classification of loans as 'basic' or 'other' impacts on whether the loans are measured on a cost or a fair value basis. FRS 102 sets out the conditions for a loan to be classified as basic and consequently measured on a cost basis. It is common for loan agreements to include a provision setting out amounts to be paid by the borrower to the lender as compensation should the borrower repay the loan early and current market interest rates are lower than the fixed rate specified in the agreement. FRS 102 explicitly states that such provisions do not prevent the loans being classified as basic. However many otherwise straight-forward fixed rate loan agreements, particularly in the social housing sector, include a variant of such a provision. These provisions require the borrower to pay the lender or the lender to pay the borrower, depending on whether current market interest rates are below or above the agreed fixed rate. The Association has reviewed each loan and do not consider that the clause allowing the association to potentially receive a compensation premium upon early repayment of some or all of the fixed rate loan liability makes this financial instrument 'non-basic' or 'other' as outlined in FRS 102 section 11. Management consider that this particular loan clause is specifically compliant with section 11.9b) and 11.9c) of FRS 102 and that the substance of this loan arrangement was always that it was always intended to be a simple fixed rate loan arrangement. In addition, the Association has considered the probability of compensation and concluded that there is a low probability of such compensation being paid or received. Note that the loans impacted by the issue outlined above have been repaid subsequent to the reporting date.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT)

GROUP	**Turnover**	**Operating costs**	**2019 Operating surplus/ (deficit)**	Turnover	Operating costs	2018 Operating surplus/ (deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social housing lettings (Note 4)	**41,463**	**(32,822)**	**8,641**	38,077	(28,080)	9,997
Other social housing activities						
First tranche property sales	**-**	**-**	**-**	89	(57)	32
Sales and marketing	**28**	**-**	**28**	9	-	9
Development overheads written off	-	**(22)**	**(22)**	-	(8)	(8)
Other	**514**	**-**	**514**	431	-	431
Non-social housing activities						
Lettings	**223**	**(337)**	**(114)**	196	(62)	134
Other	**1,185**	**(832)**	**353**	644	(400)	244
Total	**43,413**	**(34,013)**	**9,400**	39,446	(28,607)	10,839

Operating surplus in Statement of Comprehensive Income of £9.809m includes gain of £409k on disposal of housing properties.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

COMPANY	2019	2018
	£'000	£'000
Turnover	**7,486**	5,449
Operating costs		
General management costs	**(6,339)**	(4,951)
Restructuring costs	**(162)**	(1)
Technical works / sundry	**(429)**	(74)
Depreciation	**(142)**	(81)
Total operating costs	**(7,072)**	(5,107)
Operating surplus	**414**	342

4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP	General needs and sheltered housing £'000	Supported housing £'000	Other social housing letting income £'000	2019 Total £'000	2018 Total £'000
Income					
Rents receivable	**22,639**	**909**	**1,510**	**25,058**	23,292
Service charges receivable	**3,246**	**1,633**	**5,794**	**10,673**	9,894
Income for support services	**0**	**3,205**	**233**	**3,438**	3,215
Other income from lettings	**444**	**114**	**38**	**596**	139
Amortised grants	**1,571**	**63**	**64**	**1,698**	1,537
Turnover from social housing lettings	**27,900**	**5,924**	**7,639**	**41,463**	38,077
Cost					
Management costs	**3,753**	**879**	**1,080**	**5,712**	3,944
Service costs	**5,866**	**3,989**	**5,552**	**15,407**	13,631
Routine maintenance	**5,447**	**343**	**308**	**6,098**	5,677
Major repairs expenditure	**1,017**	**-**	**5**	**1,022**	600
Bad debts	**134**	**47**	**38**	**219**	116
Depreciation of housing properties	**3,869**	**263**	**233**	**4,365**	4,112
Operating costs on social housing activities	**20,086**	**5,521**	**7,216**	**32,823**	28,080
Operating surplus on social housing lettings	**7,814**	**403**	**423**	**8,640**	9,997
Rent loss due to voids	**164**	**36**	**225**	**425**	507
Service charge loss for voids (memorandum note)	**20**	**64**	**1**	**85**	189

5. SALES OF FIXED ASSET PROPERTIES

GROUP	Shared ownership further tranches £'000	Right to Buy & to Acquire & Other £'000	Total 2019 £'000	Total 2018 £'000
Proceeds of sales	**878**	**95**	**973**	3,923
Cost of sales: NBV	**(458)**	**(106)**	**(564)**	(3,954)
Surplus	**420**	**(11)**	**409**	(31)

6. INTEREST PAYABLE AND SIMILAR CHARGES

GROUP	2019 £'000	2018 £'000
Bank loans, overdrafts and other loans:		
- by instalments	**7,256**	7,150
- other than by instalments	**167**	173
Unwinding of the pension deficit (note 19)	**1**	79
Interest on DB pension scheme liabilities	**214**	-
	7,638	7,402
Less: Capitalised	**(481)**	(401)
Total Interest Payable	**7,157**	7,001
Loan Breakage costs	**-**	15,904

The sum for capitalised interest relates to loans which are fixed rate. The interest rate is varied dependent on the entity. The average rate for the period was 3.26% for Clwyd Alyn and 4.25% Ty Glas (2018 3.63%).

COMPANY	2019 £'000	2018 £'000
Unwinding of the pension deficit (note 19)	**-**	23
Interest on DB pension scheme liabilities	**57**	-

7. TAXATION

GROUP	2019 £'000	2018 £'000
UK Corporation tax charge for the year	**5**	13
Adjustments in respect of prior years	**(2)**	(2)
Total current tax charge for the year	**3**	11
Deferred tax charge / (credit) for the year	**295**	26
Deferred tax adjustments in respect of prior years	**23**	23
Total deferred tax charge / (credit) for the year (note 22)	**318**	49
Total tax charge for the year	**321**	60
Factors affecting the current tax charge for the year:		
(Loss) / profit for the year before taxation	**3,105**	(12,022)
Tax on (loss) / profit on ordinary activities at 19% (2018: 19%)	**590**	(2,284)
Fixed assets differences	**794**	755
Income / expenses not deductible for tax purposes	**6,777**	1,583
Adjust deferred tax to average rate	**(8,019)**	(6)
Amounts charged/(credited) directly to STRGL or transferred	**(261)**	-
Other permanent differences	**-**	14
Adjustments in respect of prior years	**(2)**	(2)
Deferred tax not recognised	**406**	(23)
Adjust closing deferred tax to average rate	**26**	-
Adjust opening deferred tax to average rate	**(13)**	-
Deferred tax adjustments in respect of prior years	**23**	23
Total tax charge for the year	**321**	60

COMPANY		
UK Corporation tax at 19% (2018 19%)		13
Adjustments in respect of prior years	**(2)**	-
Total current tax charge for the year	**(2)**	13
Deferred tax origination and reversal of timing differences	**318**	49
Total deferred tax charge / (credit) for the year (note 22)	**318**	49
Total tax charge for the year	**316**	62
Factors affecting the current tax charge for the year:		
Profit for the year before taxation	**357**	319
Current tax payable at 19% (2018: 19%)	**68**	61
Fixed asset differences	**-**	5
Income/expenses not deductible for tax purposes	**32**	2
Amounts (charged)/credited to STRGL or transferred	**(238)**	
Adjust closing deferred tax to average rate of 19%	**50**	35
Adjust opening deferred tax to average rate of 19%	**(35)**	(41)
Deferred tax not recognised	**441**	-
Adjustments in respect of prior years	**(2)**	-
Total tax charge for the year	**316**	62

8. AUDITOR REMUNERATION

GROUP	2019 £'000	2018 £'000
In their capacity as auditor (excluding VAT)	**34**	36
In respect of other services (excluding VAT)	**3**	-
COMPANY		
In their capacity as auditor (excluding VAT)	**5**	5
In respect of other services (excluding VAT)	**-**	-

9. STAFF COSTS

GROUP	2019 £'000	2018 £'000
Staff costs including directors:		
Wages and salaries	**14,203**	12,549
Social security costs	**1,142**	1,022
Other pension costs	**532**	417
Defined benefit pension deficit recovery charge (note 19)	**(1)**	(76)
	15,876	13,912

Average number of full time equivalent persons (including executive directors) employed during the year:

	Number	Number
Office staff	**87**	85
Housing staff	**32**	31
Care staff	**491**	475
Maintenance	**108**	96
Total employees	**718**	687
Total employees at the year end	737	722

COMPANY	2019 £'000	2018 £'000
Staff costs including directors:		
Wages and salaries	**3,477**	2,886
Social security costs	**309**	278
Other pension costs	**170**	158
Defined benefit pension deficit recovery charge (note 19)	**0**	(19)
	3,956	3,303

9. STAFF COSTS (CONTINUED)

Average number of full time equivalent persons (including executive directors) employed during the year:

	Number	Number
Office staff	**66**	59
Maintenance	**22**	21
Care staff	**80**	79
	168	159
Total employees at the year end	**167**	175

10. KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel comprise the executive and non-executive directors. Total remuneration amounted to £781K, (2018: £717K).

GROUP AND COMPANY	**2019 £'000**	2018 £'000
Remuneration for executive directors for the year ended 31 March 2019	**716**	717

The remuneration for executive directors disclosed above include pension contributions.

Non-executive Board Member remuneration for the year ended 31 March 2019:	**2019 £'000**	2018 £'000
Sandy Mewies	**4**	**1**
Stephen Porter	**9**	**2**
Mike Hornsby	**6**	**1**
Sarah Horrocks	**6**	**2**
Paul Robinson	**6**	**1**
Peter Lewis	**5**	**-**
Ruth Collinge	**4**	**1**
Frazer Jones	**4**	**1**
Sara Mogel	**4**	**1**
Aaron Osborne-Taylor	**4**	**1**
Peter Smith-Hughes	**4**	**1**
Eileen Stevens	**4**	**1**
Peter LaTrobe	**2**	**1**
Owen Watkins	**2**	**-**
Eirwen Godden	**1**	**1**
	65	15

Non-executive Board Members receive remuneration for services only and there is no pension liability.

The highest paid executive excluding pension contributions.	**116**	129

The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply.

The full time equivalent number of key management personnel whose remuneration payable in the period fell within the following bands was:

	2019	2018
£60,000 - £69,999	**1**	**2**
£80,000 - £89,999	**3**	**2**
£100,000 - £109,999	**1**	**1**
£120,000 - £129,999	**1**	**1**

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing properties held for lettings £'000	Housing properties in the course of construction £'000	Completed shared ownership housing properties £'000	Shared ownership housing properties under construction £'000	Total £'000
COST					
At 1 April 2018	361,716	36,323	22,553	34	420,626
Additions – components	1,747	-	314	-	2,062
Additions	-	22,343	-	(34)	22,309
Disposals components	(679)	-	-	-	(679)
Disposals - other	(113)	-	(504)	-	(618)
Schemes completed	14,014	(14,014)	-	-	-
At 31 March 2019	376,685	44,652	22,363	-	443,700
DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	48,931	-	3,551	-	52,482
Charge for the year	4,019	-	196	-	4,215
Impairment Losses	307		-		307
Disposals	(549)	-	(80)	-	(629)
At 31 March 2019	52,708	-	3,667	-	56,375
NET BOOK VALUE					
At 31 March 2019	**323,977**	**44,652**	**18,696**	**-**	**387,325**
At 31 March 2018	**312,785**	**36,323**	**19,002**	**34**	**368,144**

All housing properties are freehold.

Maintenance expenditure of £2,501k was capitalised to existing properties in the year (2018 £1,971k).

Total maintenance expenditure to existing properties of £7.119m (2018 £6.277m) was charged to the Income and Expenditure account in the year.

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. The cumulative interest and finance charges included in housing properties at cost amounted to £3,848k (2018 £3,367k).

The carrying amount of the housing properties that have been pledged as security for the housing loans (including undrawn facilities) is £274million (2018 £253.39 million).

12. TANGIBLE FIXED ASSETS – OTHER

GROUP	Freehold offices £'000	Leasehold offices £'000	Fixtures & fittings £'000	Computer Equipment and software £'000	Vehicles £'000	Total £'000
COSTS						
At 1 April 2018	3,545	-	314	3,933	852	8,644
Additions	-	-	14	1,003	429	1,446
Disposal	-		-	(681)	-	(681)
At 31 March 2019	3,545	-	328	4,255	1,281	9,409
DEPRECIATION						
At 1 April 2018	805	-	242	3,857	456	5,360
Charge for year	71	-	4	136	247	458
Disposals	-		-	(681)	-	(681)
At 31 March 2019	876	-	246	3,312	703	5,137
NET BOOK VALUE						
At 31 March 2019	**2,669**	**0**	**82**	**943**	**578**	**4,272**
At 31 March 2018	**2,740**	**0**	**72**	**76**	**396**	**3,284**

COMPANY	Leasehold offices £'000	Furniture & Office Equipment £'000	Computer equipment & software £'000	Vehicles £'000	Total £'000
COSTS					
At 1 April 2018	-	-	3,098	109	3,207
Additions in the year	-	2	982	30	1,014
Disposals	-	-	-	-	-
At 31 March 2019	-	2	4,080	139	4,222
DEPRECIATION					
At 1 April 2018	-	-	3,046	81	3,127
Charge for year	-	-	122	20	142
Disposals	-	-	-	-	
At 31 March 2019	-	-	3,168	101	3,269
NET BOOK VALUE					
At 31 March 2019	**-**	**2**	**912**	**39**	**953**
At 31 March 2018	**-**	**-**	**52**	**28**	**80**

13. FIXED ASSET INVESTMENTS – HOMEBUY LOANS

GROUP	2019 £'000	2018 £'000
COSTS		
At 1 April	**3,231**	2,593
Additions in year	**-**	720
Disposals	**(13)**	(82)
At 31 March	**3,218**	3,231

See note 21 for details of homebuy grant received from the Welsh Government which was used to fund the homebuy loans.

14. STOCKS

GROUP	2019 £'000	2018 £'000
Stock of tools and repairs equipment	**190**	167

15. DEBTORS

GROUP	2019 £'000	2018 £'000
Amounts falling due after one year:		
Grants receivable	**2,490**	2,329
Amounts falling due within one year:		
Rental debtors	**1,573**	1,317
Less: provisions for bad debts	**(506)**	(334)
	1,067	983
Grants receivable	**44**	69
Trade debtors	**790**	346
Loans to employees	**41**	6
Prepayments and accrued income	**1,559**	934
	3,501	2,338

DEBTORS

COMPANY	2019 £'000	2018 £'000
Loans to employees	**0**	1
Trade debtors	**42**	13
Amounts due from subsidiary undertakings	**845**	1,154
Prepayments and accrued income	**584**	241
	1,471	1,409

16. CURRENT ASSET INVESTMENTS

GROUP	2019	2018
	£'000	£'000
Money market and term deposits	**65**	65

Included above are deposits as security for certain loans of £65k (2018 £65k).

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP	2019	2018
	£'000	£'000
Housing loans (note 18)	**1,000**	54
Trade creditors	**1,461**	1,616
Rent in advance	**970**	840
Corporation tax	**5**	13
Other taxation and social security costs	**65**	333
Pension contributions	**-**	52
Other creditors	**9**	9
Pension deficit contributions	**6**	901
Deferred capital grant (note 20)	**1,731**	1,607
Accruals and deferred income	**4,982**	4,456
Fund held in trust	**2,706**	2,382
	12,935	12,263

COMPANY	2019	2018
	£'000	£'000
Trade creditors	**96**	84
Rental Creditor	**20**	-
Corporation tax	**0**	13
Other taxation and social security costs	**0**	80
Pension contributions	**0**	48
Accruals and deferred income	**486**	155
Housing Loan	**555**	0
Pension deficit contributions	**-**	300
Amounts due to Group undertaking	**723**	-
	1,880	680

18. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP	2019	2018
	£'000	£'000
Housing loans	**44,650**	42,518
Housing loans - Bond issue	**160,000**	160,000
Recycled Capital Grant Fund	**1,707**	1,889
Deferred capital grant (note 20)	**199,643**	185,874
Pension Deficit Contribution (note 19)	**23**	4,616
Homebuy grant (note 21)	**3,218**	3,231
	409,241	398,128

COMPANY		
Housing loans	**0**	555
Pension Deficit Contribution (note 19)	**0**	1,273
Amount due to group undertaking – unpaid share capital	**37**	37
	37	1,865

Housing loans - Group

	2019	2018
Amounts repayable by instalments:		
Not wholly repayable within five years:	£'000	£'000
Repayable between one and two years	**542**	335
Repayable between two and five years	**4,797**	1,947
Repayable after five years	**192,311**	193,236
	197,650	195,518
Amounts repayable otherwise than by instalments:		
Repayable after five years	**7,000**	7,000
	204,650	202,518
Amounts repayable by instalments repayable within one year	**1,000**	54
Total housing loans	**205,650**	202,572

Housing loans are secured by specific charges on the Group's housing properties and bear interest at rates ranging from 3.212% to 11.09%.

At 31 March 2019 100% of the loans were fixed (2018 100%). The fixed loans bore interest ranging from 3.212% to 11.09%, with a weighted average of 3.56% (2018 3.212% to 11.09%, weighted average 3.45%).

At the year end 0% of the loans were variable (2018 0%).

Housing loans - Company	2019	2018
Amounts repayable otherwise than by instalments:	£'000	£'000
Repayable between one and two years	**0**	555

The loan is a nil interest bearing development loan repayable June 2019.

18. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

	2019	2018
Recycled Capital Grant Fund	**£'000**	£'000
Recycled Capital Grant Fund at 1 April	**1,889**	852
Received in the year	**150**	1,039
Recycled in the year	**(332)**	(2)
Recycled Capital Grant Fund at 31 March	**1,707**	1,889

19a. PENSION DEFICIT CONTRIBUTION LIABILITY

GROUP	**2019**	2018
	£'000	£'000
At 1 April (as previously reported)	**5,517**	6,380
Adjustment to DB accounting	**(5,473)**	
At 1 April (restated)	**44**	
Re-measurements		
- Amendments to contribution schedule	**(11)**	-
- Impact of change in assumptions	**-**	(76)
Unwinding of discount finance charge	**1**	79
Deficit contributions paid	**(5)**	(866)
At 31 March	**29**	5,517
Amounts falling due:		
Within one year (note 17)	**5**	901
Between one and two years	**5**	936
Between two and five years	**16**	2,195
In five years or more	**3**	1,485
In more than one year (note 18)	**24**	4,616
Total pension creditor	**29**	5,517

The 2018 closing balance of £5,517k covered the Clwyd Alyn, Pennaf and Ty Glas SHPS DB contribution liabilities totalling £5,473k, and the Clwyd Alyn Growth Plan liability of £44k. The Clwyd Alyn, Pennaf and Ty Glas SHPS DB Pensions have converted to the Defined Benefit accounting method and as such the contribution liability balance of £5,473k has been cleared leaving the 2018 Growth Plan balance of £44k as the opening figure for 2019 as the Growth Plan remains on the contribution liability basis. Note 19b covers the removal of the opening SHPS deficit of £5,473k.

19a. PENSION DEFICIT CONTRIBUTION LIABILITY (Continued)

COMPANY	2019	2018
	£'000	£'000
At 1 April	**1,573**	1,857
Prior year adjustment	**(1,573)**	
At 1 April (restated)	**0**	
Re-measurements		
- Amendments to contribution schedule	**-**	-
- Impact of change in assumptions	**0**	(19)
Unwinding of discount finance charge	**0**	23
Deficit contributions paid	**0**	(288)
At 31 March	**0**	1,573
Amounts falling due:		
Within one year (note 17)	**0**	300
Between one and two years	**0**	313
Between two and five years	**0**	648
In five years or more	**0**	312
In more than one year (note 18)	**0**	1,273
Total pension creditor	**0**	1,573

The 2018 closing balance of £1,573k covered the Pennaf SHPS DB contribution liability. The Pennaf SHPS DB Pension has converted to the Defined Benefit accounting method and as such the contribution liability balance of £1,573k has been cleared. Note 19b covers the removal of the opening SHPS deficit of £1,573k.

19b. DEFINED BENEFIT PENSION OBLIGATIONS

Social Housing Pension Scheme
The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions ('TPT'). The accounting policy in relation to SHPS is set out on page 21. As noted in the accounting policy, there has been a change in accounting policy in relation to SHPS.

The following adjustments have been made in relation to the change in accounting policy:

- Removal of the liability for the funding of the deficit funding agreement (reduction in creditors of £5.473m; increase in Other Comprehensive Income £5.473m.
- Recognition of the net pension deficit (increase in pension liability £10.197m; reduction in Other Comprehensive Income £10.197m).

19b. DEFINED BENEFIT PENSION OBLIGATIONS (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2018 updated to 31 March 2019 by a qualified independent actuary.

KEY ASSUMPTIONS	2019 £'000
PENNAF LIMITED	
Discount Rate	2.34
Inflation (RPI)	3.26
Inflation (CPI)	2.26
Salary Growth	3.26
CLWYD ALYN HOUSING ASSOCIATION	
Discount Rate	2.31
Inflation (RPI)	3.29
Inflation (CPI)	2.29
Salary Growth	3.29
TY GLAS HOUSING SOCIETY	
Discount Rate	2.30
Inflation (RPI)	3.30
Inflation (CPI)	2.30
Salary Growth	3.30

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

GROUP	Life expectancy At age 65 years
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

19b. DEFINED BENEFIT PENSION OBLIGATIONS (continued)

GROUP ASSETS	2019	2018
	£'000	£'000
Global Equity	**4,884**	5,621
Absolute Return	**2,511**	3,476
Distressed Opportunities	**528**	275
Credit Relative Value	**532**	-
Alternative Risk Premia	**1,674**	1,079
Fund of Hedge Funds	**131**	937
Emerging Markets Debt	**1,001**	1,148
Risk Sharing	**877**	264
Insurance-Linked Securities	**832**	748
Property	**654**	1,310
Infrastructure	**1,522**	729
Private Debt	**389**	253
Corporate Bond Fund	**1,354**	1,169
Long Lease Property	**427**	-
Secured Income	**1,039**	1,055
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**10,616**	10,367
Net Current Assets	**55**	27
Total Assets	**29,026**	28,458

None of the fair value 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.

COMPANY ASSETS	2019	2018
	£'000	£'000
Global Equity	**1,255**	1,486
Absolute Return	**645**	919
Distressed Opportunities	**136**	73
Credit Relative Value	**137**	-
Alternative Risk Premia	**430**	285
Fund of Hedge Funds	**34**	248
Emerging Markets Debt	**257**	303
Risk Sharing	**225**	70
Insurance-Linked Securities	**214**	198
Property	**168**	346
Infrastructure	**391**	193
Private Debt	**100**	67
Corporate Bond Fund	**348**	309
Long Lease Property	**110**	-
Secured Income	**267**	279
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**2,728**	2,741
Net Current Assets	**14**	7
Total Assets	**7,459**	7,524

None of the fair value 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.

19b. DEFINED BENEFIT PENSION OBLIGATIONS (continued)

GROUP	2019 £'000	2018 £'000
Analysis of the amount charges to operating expenditure In the Statement of Comprehensive Income		
Employer service cost (net of employee contributions)	(30)	-
Past service cost	-	-
Total Operating Charge	**(30)**	-
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	724	-
Interest on pension liabilities	(938)	-
Amounts charged/credited to finance costs	**(214)**	-
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains/(losses) on pension scheme assets	626	-
Actuarial gains/(losses) on scheme liabilities	(2,731)	-
Actuarial gain/(loss) recognised	**(2,105)**	-

GROUP	2019 £'000	2018 £'000
Movement in surplus/(deficit) during year		
Surplus/(deficit) in scheme at 1 April	5,473	-
Movement in year:		
Remove opening SHPS deficit	(5,473)	-
Opening Defined Benefit pension liability	8,743	-
Employer service cost (net of employee contributions)	11	-
Employer contributions	(895)	-
Past service cost	19	-
Net interest/return on assets	214	-
Remeasurements	2,105	-
(Deficit)/Surplus in scheme at 31 March	**10,197**	-

GROUP	2019 £'000	2018 £'000
Asset and Liability Recognition		
Recognition of Liabilities		
Liabilities at start of period	37,201	-
Service cost	-	-
Interest cost	938	-
Employee contributions	-	-
Remeasurements	2,731	-
Benefits paid	(1,677)	-
Past service cost	30	-
Curtailments and settlements	-	-
Liabilities at end of period	**39,223**	-

Recognition of Assets

Assets at start of period	28,458	-
Return on plan assets	724	-
Remeasurements	626	-
Employer contributions	895	-
Employee contributions	-0	-
Benefits paid	(1,677)	-
Assets at end of period	**29,026**	-

The actual return on the plan assets (including any changes in share of assets) for the Group over the year ended 31 March 2019 was £1.35m

COMPANY	**2019**	2018
	£'000	£'000
Analysis of the amount charges to operating expenditure In the Statement of Comprehensive Income		
Employer service cost (net of employee contributions)	(8)	-
Past service cost	0	-
Total Operating Charge	**(8)**	-
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	190	-
Interest on pension liabilities	(247)	-
Amounts charged/credited to finance costs	**(57)**	-
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains/(losses) on pension scheme assets	91	-
Actuarial gains/(losses) on scheme liabilities	(582)	-
Actuarial gain/(loss) recognised	**(491)**	-

COMPANY	**2019**	2018
	£'000	£'000
Movement in surplus/(deficit) during year		
Surplus/(deficit) in scheme at 1 April	(1,573)	-
Movement in year:		
Remove opening SHPS deficit	1,573	-
Opening Defined Benefit pension liability	(2,337)	-
Employer service cost (net of employee contributions)	(8)	-
Employer contributions	300	-
Past service cost	0	-
Net interest/return on assets	(57)	-
Remeasurements	(491)	-
(Deficit)/Surplus in scheme at 31 March	**(2,593)**	-

19b. DEFINED BENEFIT PENSION OBLIGATIONS (continued)

COMPANY	2019 £'000	2018 £'000
Asset and Liability Recognition		
Recognition of Liabilities		
Liabilities at start of period	**(9,861)**	-
Service cost	0	-
Interest cost	(247)	-
Employee contributions	0	-
Remeasurements	(582)	-
Benefits paid	646	-
Past service cost	(8)	-
Curtailments and settlements	0	-
Liabilities at end of period	**(10,052)**	-

COMPANY	2019 £'000	2018 £'000
Recognition of Assets:		
Assets at start of period	7,524	-
Return on plan assets	190	-
Remeasurements	91	-
Employer contributions	300	-
Employee contributions	0	-
Benefits paid	(646)	-
Assets at end of period	**7,459**	-

The actual return on the plan assets (including any changes in share of assets) for the company over the year ended 31 March 2019 was £281k

20. DEFERRED CAPITAL GRANT

	2019 £'000	2018 £'000
At 1 April	**187,481**	185,900
Grant received during year	**15,819**	5,704
Housing property disposals	**(226)**	(2,585)
Amortisation for the year	**(1,699)**	(1,538)
Net grant creditor 31 March	**201,375**	187,481

The grants are amortised as follows:

Amounts falling due:		
Within one year (note 17)	**1,731**	1,607
Between one and two years	**1,761**	1,637
Between two and five years	**5,288**	4,911
In five years or more	**192,599**	179,326
In more than one year (note 18)	**199,643**	185,874
Total grant creditor	**201,374**	187,481

Gross capital grant received is £229,205k (2018: £213,652k).

21. HOMEBUY GRANT

	2019	2018
	£'000	£'000
At 1 April	**3,231**	2,593
Additions in the year	**-**	720
Disposals in the year	**(13)**	(82)
At 31 March	**3,218**	3,231

22. DEFERRED TAXATION

GROUP	**2019**	2018
	£'000	£'000
At beginning of year	**(302)**	(350)
Deferred tax charge/(credit) for the period	**318**	49
At end of year	**16**	(301)

The provision for deferred taxation is made up as follows;

Accelerated capital allowances	**162**	(26)
Short term timing differences	**-**	(275)
Tax losses and other deductions	**(146)**	-
	16	(301)

COMPANY	**2019**	2018
	£'000	£'000
At beginning of year	**(302)**	(350)
Deferred tax charge/(credit) for the period	**318**	49
At end of year	**16**	(301)

The provision for deferred taxation is made up as follows;

Accelerated capital allowances	**162**	(26)
Short term timing differences	**-**	(275)
Losses and other deductions	**(146)**	
	16	(301)

23. NON EQUITY SHARE CAPITAL

Pennaf Limited is a Private Limited Company, limited by guarantee having no share capital.

Each member of the Board of Management holds one share of £1 in the subsidiary association, Clwyd Alyn Housing Association Limited.

24. CAPITAL COMMITMENTS

GROUP	**2019 £'000**	2018 £'000
Capital expenditure contracted for but not provided for in the financial statements.	**19,149**	**5,179**
Capital expenditure authorised but not yet contracted for in the financial statements.	**31,610**	**58,842**
COMPANY		
Capital expenditure contracted for but not provided for in the financial statements.	**-**	-

The capital expenditure is to be financed by a combination of social housing grants of £26 million and the balance of £24.8 million from the existing cash balance of £31.98 million. If required the group would still have access to the revolving credit facility of £25 million.

25. OPERATING LEASES

GROUP

At 31 March 2018 the association had minimum lease payments under non-cancellable operating leases as set out below

	Leasehold Offices		**Vehicles & Equipment**	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Operating leases minimum lease payments				
Within 1 year	**15**	15	**5**	10
Within 2 to 5 years	**28**	43	**-**	5
After 5 years	**-**	-	**-**	-
	43	58	**5**	15
Operating lease payments recognised as an expense in the year	15	15	10	23

25. OPERATING LEASES (Continued)

COMPANY

At 31 March 2019 the association had minimum lease payments under non-cancellable operating leases as set out below

	Vehicles & Equipment	
	2019	2018
	£'000	£'000
Operating leases minimum lease payments		
Within 1 year	**5**	5
Within 2 to 5 years	**0**	5
	5	10
Operating lease payments recognised as an expense in the year	**5**	5

26. ACCOMMODATION IN MANAGEMENT

	2019	2018
GROUP	**Number**	Number
General needs and other rented	**4,030**	4,037
Sheltered & Extra Care	**661**	461
Supported Housing	**230**	198
Low cost home ownership	**563**	587
Residential / Care Homes	**159**	159
Managed on behalf of others	**39**	57
Homebuy & D.I.Y.H.O	**194**	194
Intermediate rental	**122**	101
	5,998	5,794

27. SUBSIDIARY ENTITIES

As at 1 April 2018 and 31 March 2019

Entity	Nature of business
Clwyd Alyn Housing Association Limited	Registered social landlord
Ty Glas Housing Association Limited	Registered social landlord
Tir Tai Limited	Project construction
Offa Limited	Property management – Ceased trading 30 September 2016, trade transferred as a going concern to Pennaf Ltd
PenAlyn Limited	Property repair management – Ceased trading 30 September 2016, trade transferred as a going concern to Clwyd Alyn Housing Association Limited
PenArian Housing Finance PLC	Special purpose lending vehicle – Registered 11 May 2017

All subsidiaries are incorporated or registered in England and Wales. All subsidiaries are 100% controlled by Pennaf Limited. Investment in subsidiaries are held at the nominal value of the issued share capital of £50,002 (2018: £50,002). Note the majority of subsidiaries are limited by guarantee and do not have any issued share capital.

28. GROUP RESTRUCTURE

Work has been undertaken to simplify the group structure and reduce the number of companies within the group. This work was completed at the end of the financial year and resulted in a reduction from 7 to 4 companies. Consequently, Pennaf Ltd and Ty Glas Ltd were dissolved with Clwyd Alyn becoming the main company in the group, with effect from 1st April 2019

29. CONTINGENT LIABILITIES

During the previous financial year there has been correspondence with HMRC with reference to the taxable status of income generated by solar panels owned by the Pennaf Group. At present a response is awaited and the Pennaf Group has obtained advice that a reasonable position has been taken. In the event that there was an adverse finding then tax would become payable of £129k (2018 £129k) and would be treated as a prior year tax charge.

30. RELATED PARTY TRANSACTIONS

During the year the following transactions took place between entities in the Pennaf Group (note these transactions and balances are eliminated on consolidation):-

Received intragroup management income as follows:-

- Clwyd Alyn Housing Association Limited £5,414,724 (2018: £4,296,384)
- Tir Tai Limited £884,467 (2018: £657,098)
- Ty Glas Housing Association Limited £2,232 (2018: £2,232)

At the year ended 31 March 2018 had the following intragroup balances outstanding:-

- Clwyd Alyn Housing Association Limited a creditor balance of £723,286 (2018: debtor balance of£851,832)
- Ty Glas Housing Association Limited a balance of £nil (2018:debtor balance £147,189)
- Tir Tai Limited a debtor balance of £845,313 (2018: £155,083)
- PenArian Housing Finance PLC a creditor balance of £37,500 (2018: £37,500)

31. FINANCIAL INSTRUMENTS

The Group's and Company's financial instruments may be analysed as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial assets				
Financial assets measured at historical cost				
- Homebuy loans	**3,218**	3,231	**-**	-
- Trade receivables	**1,966**	1,329	**42**	13
- Other receivables	**4,134**	3,338	**1,429**	1,396
- Investments in short term deposits	**65**	65	**-**	-
- Cash at bank and cash equivalents	**31,914**	33,860	**305**	170
Total financial assets	**41,297**	41,823	**1,776**	1,579
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable	**(205,650)**	(202,572)	**(38)**	(592)
Financial liabilities measured at historical cost				
- Trade creditors	**(1,461)**	(1,617)	**(96)**	(84)
- Other creditors	**(215,166)**	(206,190)	**(1,786)**	(1,856)
Total financial liabilities	**(422,277)**	(410,379)	**(1,920)**	(2,532)