

reach (Supported Living) Limited

Financial statements

Year ended 31 March 2017

Registered Number: 29706R

WG Registration Number: H141



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CORPORATE INFORMATION

Board

Chair

Chris Koehli

Non-Executive Directors

Anthony Clements (Vice Chair)

Anne Kelly

William Oliver

Louise Poley

Lucinda Reid

Sue Revell

Chris Watts

Saz Willey

Roz Williamson

Corporate Director

Andrew Grey

Pobl Group Executive Team

Amanda Davies – Group Chief Executive

Lisa Pinney, Executive Director – Finance and Procurement

Tracey Healey, Executive Director – Corporate Services

Darrell Bolton, Managing Director - Commercial

Gaynor Morris, Executive Director Organisational Development

Richard Davies, Managing Director – Care and Support

Kathryn Edwards, Managing Director – Homes and Communities

Offices, Advisers & Bankers

Registered Office

Exchange House

High Street

Newport NP20 1AA

Auditor

Mazars LLP

Birmingham

45 Church Street

Birmingham B3 2RT

Principal bankers

Lloyds Bank Plc

42 Commercial Street

Newport NP20 1WX

Principal solicitors

Hugh James

Hodge House

114 – 116 St Mary Street

Cardiff

CF10 1DY

The Company is incorporated under the Co-operative and Community Benefits Act 2014 and is a Registered Social Landlord with the Welsh Government.

Welsh Government registration H141

Co-operative and Community Benefit Society 29706R

STRATEGIC REPORT

The Board of Management is pleased to present its annual report and financial statements for the year ended 31 March 2017

Review of the business

reach (Supported Living) Limited ("reach", "the Company" or "The Association ") is incorporated under the Co-operative and Community Benefit Society Act 2014 and is a Registered Social Landlord with the Welsh Government. It is a member of the Pobl Group ("the Group").

Pobl Group was formed on 1 April 2016 as a result of the merger between the Seren Group and Grwp Gwalia. Details of the Company's activities and those of the wider Group can be found at www.poblgroup.co.uk.

The principal activity of the Company is the provision of support services to people, predominately adults with learning disabilities, older people and other people who need support from social care services.

Key financial performance indicators

The key financial performance indicators during the year were as follows:

	2017	2016	Change
	£'000	£'000	%
Turnover	12,812	12,745	0.52
Operating surplus/(deficit)	(111)	47	(336.17)
Surplus/(deficit) for the year	(135)	42	(421.43)

Details of movements in reserves for the year ended 31 March 2017 are set out in the Statement of Changes in Reserves.

Operational review

Reach provides support services to people on behalf of organisations such as Welsh Government, local Authorities and Health Boards, who together provide the vast majority of the organisations turnover. Where POBL Group members provide the property, rental streams which cover the property costs are also generated.

The main sources of income are generated from service charges and social services funding in relation to supported housing. This income has decreased year on year due to cessation of contracts but this has been more than offset by reductions in operational costs.

The principle areas of expenditure relate to staffing and associated costs, in particular providing hours of support directly to service users. Varying levels of support are required for the different client groups as schemes are tailored to their needs. Continued operational efficiency is a key focus going forward.

STRATEGIC REPORT (continued)

Reach provides care and support to a range of people including:

- Older people and people with dementia;
- people with learning disabilities;
- people with mental ill health;
- people with physical disabilities; people with needs related to alcohol or substance misuse;
- people with experience of the criminal justice system;
- people at risk of, or experiencing, homelessness;

Reach does not directly provide housing accommodation. Where appropriate, accommodation is provided to the service users of reach by landlords, primarily Charter Housing Association Limited, a member of the Pobl Group. reach supports 1,550 customers (2016: 1,227) in 13 local authority areas; 8 in Wales and 5 in England.

Future developments

The newly formed Pobl Group will present new opportunities and will facilitate the sharing of best practice across all of the Care and Support businesses in the Group. Managing Care and Support services in an integrated way will ensure appropriate standards, including quality assurance systems, are consistently applied across each business.

The benefits of merger have been realised through several successful and high profile tender successes that referenced the strength, resources and opportunities that Pobl Care and Support brings so the outlook for growth is positive. The future growth and development of the business is focussed on the following areas.

Person centred, targeted community support

- Ability to meet lower level needs to more complex packages of care, including challenging behaviours;
- Ability to meet needs of a broad range of client groups, including older people, mental health, learning disability, physical disability, homelessness, young people, substance misuse, ex-offenders and other SP client group.

This will allow us to access a mix of funding streams including Supporting People, Social Care, Health, Direct Payment, Self-Funders, NOMS, grant funding for added value initiatives

Specialist Services

Opportunities will be pursued within the following fields of work;

- Young People and Families
- Mental Health

These are specialist areas we believe will attract significant and secure funding over the medium term in areas where we feel we have a strong service offer.

Geography

Concentration will be on developing services in our current areas of operation and building out from existing infrastructure into new areas to support growth. At the same time we will review more remote and isolated services to assess the potential for growth in these areas.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

- **National living wage** - following the implementation of the national living wage in April 2016 this continues to be a challenge for both local authorities and all those companies operating within the care sector. Dialogue with Commissioners is key to ensure contracts remain viable as payroll costs increase over the forthcoming years in line with levels of pay set by Central Government.
- **Funding cuts from local authorities** - threatening the viability of services. To mitigate this it is necessary to run high quality services, be flexible and adaptable in how services are delivered and retain positive working relationship at a local level.
- **Welfare reform** The proposed changes to welfare benefits, particularly housing benefit within supported housing are ongoing and will significantly change the UK housing sector. These will place increased financial pressure on tenants and subsequently the Group. As reach, via Charter Housing Association Limited, provides accommodation, the direct payments of housing benefits to tenants also increase the risk of the Group bad debt provision increasing and it will be necessary to find innovative ways to keep cash collection rates at an acceptable level.
- **European Union Membership** - the referendum results and subsequent uncertainties it introduces into the future economic outlook are being carefully monitored. The Company and Group believes it is agile enough to respond and mitigate any negative outcomes and to take advantage of any positive outcomes, such as changes in the labour market.

Approved by the Board on 9 August 2017 and signed on its behalf by:



Chris Koehli
Chair of the Board

DIRECTORS' REPORT

The Directors present their report for the year ended 31 March 2017.

Directors of the company

Chris Koehli (Chair)	
Anthony Clements (Vice Chair)	
Anne Kelly	
William Oliver	
Louise Poley	
Lucinda Reid	
Sue Revell	
Chris Watts	
Saz Willey	
Roz Williamson	
Wendy Bourton	Resigned as Chair 28 November 2016
Jeff Champney-Smith	Resigned 25 January 2017
Ashley Flaherty	Resigned 1 April 2016
Haydn Jones	Resigned 1 April 2016
Elaine Lorton	Resigned 1 April 2016
Rufus Noy	Resigned May 2016
Gareth Roderique-Davies	Resigned 15 March 2017

On 1 April 2016 the Seren Group merged with Grŵp Gwalia, a registered social landlord with similar activities, to form a new Group to be known as the Pobl Group. Consequently, at the same time, Seren Group Limited changed its name to Pobl Group Limited and is the ultimate parent company in the new group.

Regulation

Some Pobl Group Companies are Registered Social Landlords regulated by the Welsh Government under the Regulatory Framework for Housing Associations registered in Wales.

The Welsh Government has produced a Regulatory Judgement. The Co-Regulation Status - March 2017 is:

- Governance and Services – Standard
- Financial Viability – Standard

Governance

The Board operates within the CHC Code of Governance. There is an Intra Group Agreement in place between the Parent and the subsidiaries in order to clarify their respective rights and obligations to one another.

DIRECTORS' REPORT (Continued)

Employment

The Pobl Group is a major employer in Wales and the South West and now employs over 2,600 people. Details of the staff employed by the Company are set out in note 7. The Company actively invests in learning and development for all staff, reflected in its Investor in People status.

Across the Group 1,400 staff took the time to respond to our Great Places to Work survey. Over 75% tell us that they feel proud to be part of the Group with the majority saying that this is a great place to work and would recommend working here to others. Over 84% tell us that they are proud of what they do and are trusted to get on with their jobs.

Post-merger there is a clear five year Organisational Development Strategy and we are working closely with our staff to develop a culture that:

- Values diversity and reflects the communities in which we serve
- Is open and inclusive
- Invests in personal development ensuring our people are the best they can be
- Is a great place to work for everyone
- Ensures fairness and equality are at the heart of our decision making

In addition to this we have been accredited with Investors in People Gold and Investors in Diversity.

Equal Opportunities and disabled employees

The Company is committed to equal opportunities in employment and the provision of all services, and aims to achieve a staff profile which reflects the wider communities in which it works. It is also the Group's policy to employ, to the best of its abilities within the opportunities available, people with disabilities. As part of a 'Positive About Disabled People' commitment the Group guarantees an interview for all applicants with disabilities who meet the minimum criteria for the post they are applying for. Employment initiatives have been established to train housing students from ethnic minority backgrounds, to provide work placements for Solas clients and also to assist people with learning difficulties to get in to work or build community contacts and connections.

A task group has been established to drive forward the Pobl Group's Equality and Diversity Strategy. The task is to identify where we can do better in promoting and delivering equality and diversity. The Group has successfully achieved Investors in Diversity Stage 1 and has passed the initial stages of Phase 2 in recognition of the Group's approach and commitment to diversity in everything it does.

Risk

The principal risks of the Group, which include risks concerning price, liquidity, credit and cash flow are included as appropriate in the Strategic Report.

Director's Indemnity Insurance

Appropriate directors' and officers' liability insurance is in place in respect of all of the Company's directors

Disclosure of information to auditors

The Board confirm that, as far as each person who was a member at the date of approval of these financial statements is aware, there is no relevant audit information of which the Company's auditor is unaware. The Board also confirms that it has taken all the steps that it ought to have taken to make itself aware of any relevant information, and to establish that the auditor is aware of that information.

DIRECTORS' REPORT (Continued)

Statement of Internal Control

The Welsh Government requires Registered Social Landlords to report on internal controls in accordance with the Housing Association Circular 02/10 – 'Internal Controls and Reporting'.

The Board acknowledges its responsibility for the system of internal control, and has taken measures which will provide reasonable, but not absolute assurance against material misstatement or loss. The Board employs experienced and suitably qualified staff to administer the systems and controls and take responsibility for important business functions.

The Board operates to clearly defined Financial Regulations and Standing Orders. It ensures that formal policies, procedures and levels of delegated authority are in place, and requires financial plans and management accounts to be laid before it for regular review. An explanation for any departure from these plans is required together with a proposal for appropriate corrective action.

The Board considers risk in the development of policies; it has also assessed risk in relation to its reserves policy and formulation of internal audit plans. The risk management framework extends into non-financial areas.

Internal audit reports are received directly by the Audit & Risk Committee and contain recommendations from internal auditors on the operation of internal control. Both internal and external audit reports are considered by the Audit & Risk Committee with progress reports supplied to the Committee until all corrective action has been completed.

The Group has in place an internal audit strategy and rolling three year audit plan that is regularly reviewed and risk based linked to the strategic risk map. It is supported by continuous audit testing and is reflective of the current operating circumstances across the Group.

Through the above mechanisms, the Board has reviewed the effectiveness of internal control within the accounting year and to the date of the signing of the financial statements.

DIRECTORS' REPORT (Continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report, the Statement on Internal Controls and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. Under those regulations the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice for registered social housing providers (Housing SORP 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 Association will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Annual General Meeting

The Annual General Meeting will be held on 4 September 2017.

Approved by the Board on 9 August 2017 and signed on its behalf by:



Chris Koehli
Chair of the Board

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REACH (SUPPORTED LIVING) LIMITED

We have audited the financial statements of reach (Supported Living) Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of The Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 10, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the entity's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the entity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the entity and its members as a body for our audit work, for this report, or for the opinions we have formed.

We have reviewed the Board's statement on the entity's compliance with the Welsh Government circular RSL 02/10 'Internal controls and reporting'. We are not required to express an opinion on the effectiveness of the entity's system of internal control.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the entity's affairs as at 31 March 2017 and of the entity's deficit 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 Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REACH
(SUPPORTED LIVING) LIMITED (continued)**

Opinion on other matters prescribed by the Welsh Government circular RSL 02/10 'Internal controls and reporting'

In our opinion, with respect to the Board's statement on internal control:

- the Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting'; and
- the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion;

- the entity has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; 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.

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: 11 August 2017

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 £'000	2016 £'000
Turnover	5(a)	12,812	12,745
Operating costs		(12,923)	(12,698)
Operating (deficit)/surplus		(111)	47
Interest payable and similar charges	9	(24)	(5)
Total (deficit)/surplus for the year		(135)	42
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(135)	42

There were no recognised gains or losses in wither the current or prior years except those reported in the Statement of Comprehensive Income.

All activities in both the current and prior year are continuing.

The notes on pages 17 to 27 form part of these financial statements.

Registration Number: 29706R
 WG Registration Number: H141

STATEMENT OF FINANCIAL POSITION

	Notes	2017 £'000	2016 £'000
Property, plant and equipment	11	31	15
Current assets			
Debtors: Amounts falling due within one year	12	1,564	2,239
Cash at bank		98	15
		<u>1,662</u>	<u>2,254</u>
Creditors amounts falling due within one year	13	(528)	(965)
Net current assets		<u>1,134</u>	<u>1,289</u>
Total assets less current liabilities		<u>1,165</u>	<u>1,304</u>
Provisions for liabilities		-	(4)
Net assets		<u><u>1,165</u></u>	<u><u>1,300</u></u>
Capital and reserves			
Revenue reserves		<u>1,165</u>	<u>1,300</u>
		<u><u>1,165</u></u>	<u><u>1,300</u></u>

The notes on pages 17 to 27 form part of these financial statements.

These financial statements were approved by the Board on 9 August 2017 and were signed on its behalf by:



Chris Koehli

Chair of the Board

STATEMENT OF CHANGES IN RESERVES

	Called up share capital £'000	Revenue Reserve £'000	Total equity £'000
At 1 April 2015	-	1,258	1,258
Surplus for the year	-	42	42
Other comprehensive income	-	-	-
Total comprehensive income	-	42	42
At 31 March 2016	-	1,300	1,300
Deficit for the year	-	(135)	(135)
Other comprehensive income	-	-	-
Total comprehensive income	-	-	(135)
At 31 March 2017	-	1,165	1,165

Revenue Reserve

The revenue reserve represents cumulative surpluses and deficits of the company.

There have been changes in the share capital during the year noted in Note 14.

STATEMENT OF CASH FLOWS

Cash flow from operating activities	Notes	2017 £'000	2016 £'000
(Deficit)/surplus for the year		(135)	42
Depreciation	11	(8)	16
Change in debtors		609	(72)
Change in creditors		(371)	13
Interest paid		24	5
Increase/(decrease) in provisions		(4)	1
Net cash flow from operating activities		115	5
Investing activities			
Interest received		-	-
Payments to acquire Property, plant and equipment	11	(8)	(11)
Net cash flow from investing activities		(8)	(11)
Financing activities			
Interest paid	9	(24)	(5)
Net cash flow from financing activities		(24)	(5)
Increase/(decrease) in cash and cash equivalents		83	(11)
Cash and cash equivalents at the beginning of the year		15	26
Cash and cash equivalents at the end of the year		98	15

FREE CASHFLOW DISCLOSURE

Cash flow from operating activities	2017 £'000	2016 £'000
Operating cash flow	115	(5)
Capital expenditure	(8)	(11)
Free cash flow	107	(16)
Interest paid	(24)	(5)
Free cash (consumed after loans repayments)	83	(21)

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company is a Co-operative and Community Benefit Society incorporated in Wales. Its registered office address is disclosed on page 1.

The Company is incorporated under the Co-operative and Community Benefit Society Act 2014 and is registered with the Welsh Government. The Directors consider that the Company is a Public Benefit Entity as defined by FRS 102. A Public Benefit Entity is an entity whose primary objective is to provide goods or services for the general public, community or social benefits and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to producing a financial return to equity providers, shareholders or members.

2. Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102") as it applies to the financial statements of the Company for the year ended 31 March 2017. The financial statements comply with the Statement of Recommended Practice "Accounting by Registered Social Housing Providers" effective from 1 January 2015 ("the 2014 SORP") and The Accounting Requirements for Social Landlords General Determination (Wales) 2015.

The financial statements of the Company were approved by the Board of Directors 9 August 2017.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Ireland ('FRS102') and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

The Company is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. The Company is included in the consolidated financial statements of its parent undertaking, Pobl Group Limited. Note 17 provide details of where those consolidated financial statements may be obtained from.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of significant accounting policies (continued)

In preparing the financial statements, the Company has taken advantage of the following exemption:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 Related Party Disclosures

On the basis that equivalent disclosures are given in the consolidated accounts of the parent company, the Company has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues.

The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £'000.

Going concern

The financial statements have been prepared on a going concern basis, and in accordance with applicable accounting standards. The activities of the Company are profitable, have a positive cash flow and a positive net asset position. The Company's financial forecasts covering the short and medium term indicate that it will generate sufficient surpluses to meet its liabilities as they fall due. Accordingly the directors consider it appropriate to adopt the going concern basis for the preparation of the financial statements.

Property, plant and equipment

Other property, plant & equipment are held at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Property, plant & equipment

Depreciation is provided on all non-housing property, plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Service chargeable assets	- 3 to 20 years (in line with income)
Other non-property assets	- 3 to 10 years

Depreciation on fixed assets is charged on a pro rata basis for the first and last year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of significant accounting policies (continued)

Assets received through non-exchange transactions

Assets received through non-exchange transactions (donations and legacies) are included in the Statement of Financial Position at fair value if this exceeds the Company capitalisation threshold.

Income equivalent to the difference between any amounts paid or payable for the assets and the fair value are recognised in the Statement of Comprehensive Income as a donation when future performance related conditions are met.

Assets where the fair value cannot be reliably measured are not recognised in the Statement of Financial Position.

Where there are no future performance related conditions attached to the legacy or donation, the fair value of the asset is taken to income. When future performance related obligations apply the fair value of the assets received is only recognised in income when these are complied with.

Where revenue recognition criteria have not been complied with, the fair value of the asset is treated as deferred income.

Legacies are only recognised after probate, when receipt is probable.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of consideration received excluding discounts, rebates, VAT and other sales taxes or duty.

Where the consideration receivable in cash or cash equivalents is deferred and the arrangement constitutes a financing transaction, the fair value of consideration is measured as the present value of all future receipts using the imputed rate of interest.

Rental and service charge income is stated net of losses from voids.

Income in respect of services provided is recognised when the Company has fulfilled its contractual obligations.

Financial instruments

The Company has chosen to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of significant accounting policies (continued)

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at transaction value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Short term debtors and creditors

Short term debtors and creditors with no stated interest rate receivable and payable within one year are recorded at transaction price. Any losses from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Public benefit entity concessionary loans

Public benefit entity loans are loans made or received by a public benefit entity or a member of a public benefit group at an interest rate below that prevailing in the market. They are not repayable on demand and are made to further the objectives of the public benefit entity or the public benefit entity parent.

Public benefit entity loans made or received by the Group are recognised in the statement of financial position at the amount paid or received, together with accrued interest. Where a loan is irrecoverable, an impairment loss is recognised in Statement of Comprehensive Income.

In accordance with the Housing SORP 2014, Homebuy loans are treated as public benefit entity loans.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at transaction value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of significant accounting policies (continued)

Interest bearing loans and borrowings

All interest bearing loans and borrowings which are basic financial instruments are measured initially at transaction value, including transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and also that a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligations is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period in which it arises.

Employee benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined benefit pension scheme

The Company participates in the Social Housing Pension Scheme ("SHPS") as representative member for the Group. Retirement benefits to employees of the Group are funded by contributions from all participating employers and employees in the scheme. Payments are made to a fund operated by the Pensions Trust, an independent Trust providing superannuation benefits to employees of voluntary organisations. The contributions made to the scheme are determined on the advice of qualified actuaries following triennial valuations using the projected unit method.

The scheme is a defined benefit scheme and as members of the scheme are unable to specifically identify their share of the underlying assets and liabilities, the Company has claimed a multi-employer exemption and accounted for the scheme as a defined contribution scheme. Accordingly, the Company has recognised a liability representing the net present value of agreed deficit reduction contributions.

Expenses in respect of the unwinding of discount factors and changes in assumptions are charged to the Statement of Comprehensive Income.

Tax

Reach (Supported Living) Limited is not liable to Corporation Tax due to its charitable status with HMRC. Value Added Tax (VAT) is accounted for within its appropriate cost structure to the extent it is not recoverable.

Related Parties

All transactions with related parties are under standard terms. Details of related parties are included in note 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year.

The Group based its estimates and assumptions on parameters available at the time the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market circumstances, legislation or other circumstances beyond the Group's control. Such changes are reflected in the assumptions and estimates when they occur.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

Provisions

The estimate of the amount of the provision corresponds to the expenditure likely to be incurred by the Company to settle its obligation. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded and the obligation is deemed to be a contingent liability.

Provision is made for rental and non rental debt. Which is based on the debt type and the age of arrear. Management base the assumption on available data and make reasonable estimates on exposure to bad debt risk.

Defined benefit pension scheme

Pobl Group Limited participates in the Social Housing Pension Scheme ("the Scheme") as representative member for the Group. It recharges other Group companies including Reach with the costs of contributions to a pension fund deficit reduction plan. The latter is based upon calculations made by consulting actuaries using assumptions in respect of mortality rates, discount rates, inflation rates, future salary costs and future pension costs. These assumptions may vary from actual outcomes and resultant variations in contributions to the deficit reduction plan may affect Reach's results.

Reach's results may also be affected by variations in employer's pension contributions in respect of staff employed by the Company. These contributions are based on actuarial estimates, which are subject to adjustment.

Details of the Scheme can be found in Pobl Group's consolidated accounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5(a) Turnover, operating costs and operating surplus

	Year ended 31 March 2017			Year ended 31 March 2016		
	Turnover £'000	Operating costs £'000	Operating deficit £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
NON SOCIAL HOUSING ACTIVITIES						
Other Income & Expenditure	12,812	(12,923)	(111)	12,745	(12,698)	47
	12,812	(12,923)	(111)	12,745	(12,698)	47

5(b) Particulars of Income & Expenditure from additional needs services

NON-SOCIAL HOUSING ACTIVITIES	2017	2016
Income	£000	£000
Support provider service charges	397	721
Other income	497	569
Supported People Programme Grant	2,322	2,022
Social Services Funding	9,596	9,433
	<u>12,812</u>	<u>12,745</u>
Expenditure		
Direct staff costs including training and recruitment	10,028	10,348
Direct service cost	1,065	642
Management costs	1,830	1,709
Operating costs	<u>12,923</u>	<u>12,699</u>
(Loss)/income from bad debts	-	(1)
	<u>12,923</u>	<u>12,698</u>
Operating (deficit)/surplus	<u>(111)</u>	<u>47</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Directors' and key management personnel emoluments

The Directors for the Group and key management personnel are employed by the Pobl Group Limited. The emoluments of these staff are apportioned across the Group entities and have been disclosed within Pobl Group Limited's financial statements.

No directors or key management personnel received remuneration for their services to the Association. There were no expenses paid to the Board (2016 £nil)

7 Employee information

	2017 Number	2016 Number
The average weekly number of people (including senior management) employed during the year on a Full Time Equivalent basis was	721	615
Number of people employed at 31 March	706	598
	2017 £'000	2016 £'000
<i>Staff costs</i>		
Wages and salaries	10,000	9,480
Social security costs	642	569
Pension costs	318	446
	10,960	10,495

The basis of the calculation for the Full Time Equivalent is a 37 hour working week.

8 Operating surplus

The operating surplus is stated after charging:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets	8	16
Auditors remuneration	6	9

9 Interest payable and similar charges

	2017 £'000	2016 £'000
Intercompany loan interest	24	5

10 Taxation

reach (Supported Living) Limited is registered with charitable status with HMRC and benefits from corporation tax exemptions available to charitable bodies. On the basis that its activities fall within its charitable purposes and its funds are applied only for these purposes, no provision for corporation tax is made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Property, plant and equipment – other

	Office furniture & equipment £'000
COST	
At 1 April 2016	518
Additions	8
At 31 March 2017	<u>526</u>
DEPRECIATION	
At 1 April 2016	503
Correction of historic depreciation	(8)
At 31 March 2017	<u>495</u>
NET BOOK VALUE	
At 31 March 2017	<u>31</u>
At 31 March 2016	<u>15</u>

Negative depreciation during the year relates to an immaterial revision to previous year's depreciation calculations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Debtors: Amounts falling due within one year

	2017 £'000	2016 £'000
Trade debtors	760	1,106
Other debtors and prepayments	804	1,133
	<u>1,564</u>	<u>2,239</u>

13 Creditors: Amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	71	36
Amounts owed to group companies	127	437
Other creditors and accruals	330	492
	<u>528</u>	<u>965</u>

Amounts owed to group companies are trading balances repayable on demand.

14 Non-equity share capital

Shares at £1 each fully paid and issued	£
At 1 April 2016	14
Movements during the year	16
At 31 March 2017	<u>30</u>

Shareholders have no equity interest in the Company. The shares carry no rights to dividend payments or distribution on winding-up. Shares cancelled or redeemed are written back to reserves. Consideration of £1 per share was paid for share capital issued in the year.

15 Capital commitments

There were no capital commitments as at 31 March 2017 (2016: £nil).

16 Related parties

Reach (Supported Living) Limited has taken advantage of the exemption permitted by Section 33 "Related party transactions" contained in FRS 102, and has therefore not disclosed transactions or balances with entities which are wholly owned members of the Pobl Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Group information

The Board considers that Pobl Group Limited is the ultimate parent company of the Pobl Group which comprises:

- **Charter Housing Association Limited** – a registered society under the Co-operative and Community Benefits Act 2014, number L012 and is registered with the Financial Services Authority (Mutual Public Register) number 31833R;
- **Derwen Cymru Limited** – a private limited company with the company number 3870765 and a charity registered with the Charity Commission in England & Wales with reference 1085017;
- **Pobl Living Limited** – a registered society under the Co-operative and Community Benefits Act 2014, number P140 and is registered with the Financial Services Authority (Mutual Public Register) number 23142R;
- **reach (Supported Living) Limited** – a registered society under the Co-operative and Community Benefits Act 2014, number H141 and is registered with the Financial Services Authority (Mutual Public Register) number 29706R;
- **Solas Cymru Limited** – a registered society under the Co-operative and Community Benefits Act 2014, number J142 and is registered with the Financial Services Authority (Mutual Public Register) number 24054;
- **Arloes Limited** – a private limited company with company number 07689032
- **Tai Gwalia Cyfyngedig** – registered with charitable status as a registered housing association, number L006 and is registered with the Financial Services Authority (Mutual Public Register) number 21080R;
- **Gofal A Chymorth Gwalia Cyf** – a registered society under the Co-operative and Community Benefits Act 2014 and registered as a housing association with reference L111;
- **Gwalia Housing Trust** – a charity registered with the Charity Commission in England & Wales and also registered as a housing association with reference J114;
- **Tai Cartrefi Cyf** – a registered society under the Co-operative and Community Benefits Act 2014 and registered as a housing association with reference P119;
- **Tai Gŵyr Cyf** – a company with non-charitable rules, registered as a housing association under reference 29885R;
- **Habren Cyf** – a dormant private company limited by guarantee, company number 06807093; and
- **Gwalia Trust** – a registered society under the Co-operative and Community Benefits Act 2014, number J114 and a charity registered with the Charity Commission in England & Wales with reference 700822.

The immediate and ultimate parent undertaking and controlling party is Pobl Group Limited, a housing association and a registered society under the Co-operative and Community Benefit Societies Act 2014 with registration number 29682R and registered with the Regulator pursuant to sections 111 and 112 of the Housing and Regeneration Act 2008 (Registration No. J139).

Copies of Group accounts can be obtained from the registered office at Exchange House, High Street, Newport, NP20 1AA.