PROGRESS CARE HOUSING ASSOCIATION LIMITED

Financial Statements for the year ended 31 March 2018

Co-operative and Community Benefit Society (FCA) No: 28761R
Regulator of Social Housing No: LH4188

Progress HOUSING GROUP

Contents

Members of the Board of Management and Executive Officers

Members of the Board of Management

S Bridgen	#
M Clarke	#
G Furlong	* retired 4 September 2017
A Greenhill	#
J Hale	Chair
P Hodgett	resigned 8 January 2018
S Horrill	* resigned 30 September 2017
L Liles	* appointed 4 September 2017
R Talbot	* appointed 4 September 2017
I Wilson	
N Wright	appointed 4 September 2017

Member of Remuneration & Nominations Committee
* Member of Audit Committee

Details on individual Board member attendance can be obtained from the Group's website.

Company Secretary

M Stevenson	resigned 31 March 2018
D Atherton	appointed 1 April 2018

Registered Office

Sumner House, 21 King Street, Leyland, Lancashire, PR25 2LW

Executive Officers

J M De-Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Corporate Services)
E Tamanis BA (Hons) ACMA	Executive Director (resigned 30 June 2017)
B Keenan BA (Hons), MCIH	Deputy Chief Executive and Executive Director (Services & Growth)
M Stevenson LLB (Hons)	Legal Director Solicitor

Auditors

BDO
3 Hardman Street
Manchester
M3 3AT

Company Details

Co-operative and Community Benefit Society (FCA) No: 28761R
Regulator of Social Housing No: LH4188

Five year financial highlights

For the financial years ended 31 March	FRS102 2018 £'000	FRS102 2017 £'000	FRS102 2016 £'000	Restated# FRS102 2015 £'000	OLD UK GAAP 2014 £'000
Statement of Comprehensive Income					
Turnover	31,916	32,209	32,007	32,147	34,042
Depreciation	3,026	2,979	2,912	2,838	2,208
Impairment	178	153	334	1	177
Operating surplus	6,615	7,229	7,224	7,085	9,937
Interest and financing costs	(4,474)	(4,775)	(4,839)	(4,884)	(4,815)
Surplus after tax	2,663	2,924	2,902	2,192	5,327
Impairment on historic cost basis	-	20	161	403	177
Impairment on previously revalued amounts	178	134	172	666	-
Total Impairment in the Statement of Comprehensive Income	178	153	334	1,069	177
Statement of Cashflows					
Cash flow from operating activities	10,043	10,647	9,950	10,723	11,847
Cash flow from investing activities	(1,726)	(1,595)	(1,532)	(3,552)	(9,068)
Cash flow from financing activities	(72)	(9,227)	(8,602)	(7,056)	(4,575)
Net debt	(84,320)	(88,695)	(93,188)	(97,285)	(99,928)
Statement of Financial Position					
Tangible Fixed Assets	168,427	169,851	171,103	172,766	201,156
Net Current Assets/(Liabilities)	12,860	10,024	7,915	3,250	1,191
Debt due after more than one year	97,976	98,990	100,910	100,890	101,742
Pension liabilities	129	1,153	1,085	1,451	818
Revaluation reserve	35,562	35,990	36,359	37,073	44,152
Other reserves	49,109	45,275	42,339	38,480	29,234
Key Ratios and Indicators					
Operating margin	21%	22%	23%	22%	29%
EBITDA (£000's)	9,819	10,361	10,470	10,992	12,322
Interest cover	215%	214%	209%	203%	252%
Net surplus as a % of turnover	8%	9%	9%	7%	16%
Gearing ###	46%	49%	52%	55%	57%

# Denotes restatement for FRS102 which replaced the old UK generally accepted accounting practice (GAAP). Therefore 2014 is not directly comparable with the years 2015 onwards.
Total Impairment is on a deemed cost basis in the years 2015 onwards under FRS102 and under a revaluation basis for the years prior under old UK GAAP.
Debt due after more than one year relates to housing loans and finance leases.
Gearing has been calculated on Net debt. Net debt is cash in hand, at bank and overdrafts, current asset investments, housing loans and finance leases.

Report of the Board

The Board presents its report and the audited financial statements of the Company for the year ended 31 March 2018.

Progress Care Housing Association was a subsidiary of Progress Housing Group Limited up to 30 April 2018. On this date Progress Care Housing Association transferred its engagements to another Group company. The Association is one of the UK's leading supported housing providers. We have a national reputation for providing high quality housing solutions for individuals with a range of support needs. We provide housing management services and work with independent support providers who provide the care support to our customers. We operate in a wide area of the UK working from the Borders in Scotland down to the south coast in England covering over 100 local authorities, providing more than 3,100 units of accommodation. This includes 315 tenancies as part of the Leeds Independent Living Accommodation Company 'LiLAC' a private finance initiative. In Lincolnshire a multi-million project in partnership, over 42 years, with the NHS has enabled the Association to develop 573 units of key-worker accommodation for staff at three hospital sites under the Progress Living brand.

Strategic Report

Strategy and Objectives

The Group's vision is to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities. The Group Strategic Plan is for the period 2018 to 2022. For detail on the Group's priorities refer to Progress Housing Group consolidated accounts.

Business Model

Progress Housing Group Limited believes that everyone has the right to a decent place to live and the core objective is to further this principle by playing our part in ensuring that our customers have a good quality home in a welcoming and safe community with excellent services. Our Group companies include Progress Housing Group Limited, Progress Housing Association Limited which is a charitable subsidiary and a Community Benefit Society, Key Unlocking Futures Limited which is a charity registered with the Charity Commission and Concert Living Limited was incorporated on 7 April 2017 and will develop properties for outright sale.

We operate within the housing market and offer a wide range of accommodation and services to a diverse customer base, as detailed below. The Group owns and manages over 10,000 tenancies across England and Scotland. We also provide social alarm services to our own internal customers and to external organisations.

Principal Risks and Uncertainties

In our 2022 Strategic Plan we have set out our critical success factors to achieve our priorities as mentioned above. As part of this, we consider business planning and risk assessment as complementary. It is vital the Board assess the risks that affect the Group's ability to meet its key objectives. The increasing importance of housing in the political agenda exposes the organisation to political, statutory and regulatory risks. Our Board continuously monitors risks and how these will impact the financial position of the Group through its long-term financial plan modelling.

An updated strategic risk register has been presented to the Board on a quarterly basis, and a strategic risk assurance map has been presented to the Audit Committee and is subject to regular reviews and updates.

The table below details what current risks the Board considers we face and how we mitigate and control them.

Strategic objective	Risk	Mitigation and controls
Developing a stronger organisation	Inflation risk that if the increase in costs is higher than the increase in income for 2018/19 and 2019/20 the Group could suffer from a reduction in surplus, and could potentially reduce its capacity to deliver its commitments within its 2020 Business Plan.	Our long-term financial plans have been stress tested taking into account negative and low levels of inflation. We have incorporated prudent planning assumptions on inflationary levels and have identified trigger points within the plans. Reporting process to Board should a trigger occur, at which point one of the Group's key mitigating strategies would be implemented. Sufficient flexibility within the business plan to deal with a range of scenarios. We have constant and consistent monitoring of trigger points as part of the quarterly management accounts process. A recent government announcement stated that rents would be charged at CPI plus 1% from 2020 with a promise for rents to continue to use this formula for 5 years (until 2025). This now gives 7 years of certainty over rents.
Developing a stronger organisation	The ability for our general needs, supported living and independent living customers to pay their rent as a consequence of welfare reform changes. These include the impact of Universal Credit and application of the Local Housing Allowance for benefit payments.	The Group is keeping a watching brief on the Government agenda. We have issued a response to the Government's consultation document regarding the proposals for the future funding of supported housing and of supported living. We follow our development strategy with actions underway to manage the specific risk in each of the three areas. This includes a move towards general needs smaller accommodation, continuation of our independent living strategy to reduce this accommodation and move more towards self-contained accommodation for supported living. We monitor the number of customers who are potentially affected and promote the work of our financial inclusion team to support our customers, we provide advice to tenants on managing their income. We have reviewed the allocations process and affordability is now taken into account. We have updated the stress testing on our plans to determine the level of bad debts and voids which would affect the business and this has shown an increase of over 18% which is highly unlikely.
Providing more and better homes	If development for sale activity fails to generate the anticipated revenue, causes the Group to lose money or results in excessive numbers of unsold units this could have an impact on the Group's ability to develop social housing properties.	We have an objective to develop 100 units for outright sale over a period of three years with a maximum investment of £6m. This has been done on a pilot basis to ensure our approach is sustainable. We have recruited Non-Executive Directors and Operational Directors with specific skills both in development for sale and in social housing development delivery to increase resource. We will operate specific stress testing triggers and golden rules to limit exposure on this portfolio.

Support individuals and communities to achieve independence	If the Group does not have adequate arrangements to comply with new statutory H&S requirements, or to respond effectively and efficiently to a H&S incident this would have a significant impact on the Group's reputation and ability to continue to deliver its services.	We have a Business Continuity Plan in place. We have a Health & Safety / Business Continuity working party established to review the Group's arrangements for complying with requirements, its health and safety/ emergency response plans, media handling and communication and health and safety training. We have sufficient flexibility within the financial business plan to allow for remedial works to be undertaken where required, although no specific works have been identified. Mandatory staff training is operational which is overseen by a dedicated Health and Safety Team.

Long-term Financial Planning

Following the Transfer of Engagements, the Company's assets and liabilities transferred to Progress Housing Association Limited and therefore contributes to the Group's long-term financial plan. The Group's latest long-term financial plans show an improvement of the Group's financial position over time when compared to the 2017 plan; this is primarily due to a change in assumptions arising from both the internal and external environment. One of the main changes is the reinstatement of CPI + 1% rent increases from 2021 for a period of 5 years (social rents). In the previous iteration of the long-term plans more prudent assumptions were made following the 4 year rent reduction to 2020. The other main changes are the contribution from Concert Living and a reduction in interest payable as a result of the Group restructure. The key strategy remains to ensure it is financially strong, respond to economic and political change and continue to deliver quality services to customers. We have performed detailed stress testing on its financial plans to identify potential financial impacts from a variety of changes. This stress testing has pushed the long-term plans to the point at which it breaks, either through solvency or liquidity problems. In response to this stress testing, a number of mitigating strategies have been identified and continuously developed to ensure the Group is resilient. From the review, it is clear that the Group is in a strong position, and has a number of mitigating strategies in place.

Treasury Management

The Group's Treasury Management function is under the direction of the Executive Director (Finance and Corporate Services). Advice is also received from the Group's financial and corporate advisers, David Tolson Partnership who review the Group Treasury Management Policy and Strategy annually. The primary objective of the Group's Treasury Management Strategy is the provision of financial resources necessary to achieve its purpose and the management of associated risks, financial and operational, that might threaten its ability to do so. The Treasury Management function is not a profit centre however it is committed to the principles of achieving value for money in Treasury Management, and to employ suitable measurement techniques, within the context of effective risk management.

The Group has sufficient liquidity in place to meet at least the next 18 months' requirements. Progress Housing Group has secured loan facilities totalling £282.8 million of which £32.5m is undrawn facilities fully secured.

Corporate Governance

The Group has adopted the National Housing Federation's (NHF) Code of Governance (2015 version) and seeks at all times to comply with both and best practice with regards to corporate governance. Compliance against the code is reviewed on an annual basis and the outcome of that review is reported to the Group's Remuneration and Nominations Committee. It is a requirement of the Regulator's Governance Standard that the Group adopts an appropriate code and reports any variation on a 'comply or explain' basis. This statement is therefore part of the Group's regulatory compliance.

Following its review of compliance against the NHF 2015 Code of Governance the Group has concluded that it remains compliant with the provisions of the code.

Governance Structure

The Group Board has overall responsibility for setting the strategic direction of the Group through the corporate business plan and maintains control of the Group's governance and compliance. The framework of control provides the structure of governance within the Group and this includes the Intra-Group Agreement, Standing Orders and Scheme of Delegation, Financial Regulations and via the Group's adopted policies and procedures.

Progress Housing Group Limited is the non-charitable parent company registered with the Financial Conduct Authority. Progress Housing Association Limited is a charitable Registered Provider and is a Community Benefit Society and registered with the Financial Conduct Authority. It has a common Board with Progress Housing Group Limited.

Key Unlocking Futures Limited is a registered charity and is not a Registered Provider. It has a separate Board of Trustees to the Registered Providers. A Grouping Deed joins Key into the Group's governance structure.

Concert Living Limited is a company established by the Group with the primary purpose of developing homes for open market sale in order to generate a profit, which will be used to fund the Group's core activities, including sub-market rented accommodation. Concert Living is not a Registered Provider and is joined to the Group by a Procedure Agreement.

The Group has a number of sub-committees which have delegated authority in a number of areas. Each sub-committee has terms of reference which are approved by the Board of Progress Housing Group Limited. The composition of each sub-committee and a brief overview of its role is set out below.

Audit Committee

The committee membership is up to five members, with no more than 3 having independent status. The committee has responsibility for oversight of the financial reporting process, approval of accounting policies, the system of internal control, providing assurance to the Board over the design and operation of the risk management framework, and the internal and external audit processes.

Remuneration & Nominations Committee

The committee membership is up to five members, with no more than 2 having independent status. The committee has responsibility for setting the remuneration policy for staff and the Board and other policies as delegated by the Parent. In addition, the committee oversees the appraisal of the Group Chief Executive, and recommends to the Parent Board the Chief Executive's remuneration for approval. The committee also oversees the process of Board appraisal and makes recommendations for appointments to Board.

Executive Board

The Board membership consists of the executive management team and meets on at least a quarterly basis. The Board oversees a number of policies and procedures as delegated by the Parent Board, receives operational performance and management information, oversees operational risk management and compliance and acts as the development sub-committee for Progress Housing Association Limited.

Concert Living Limited

In line with the business plan agreed by the Parent, two non-executive directors from Progress Housing Group Limited serve on the board of Concert Living. In addition, the Group Chief Executive and Executive Director (Finance & Corporate Services) are members of the board in addition to two independent non-executive directors (one of whom acts as Chair). The board meets approximately 10 times per year and the Parent board receives copies of the minutes at their board meetings in order to maintain a regular overview of business developments.

Directors

The names of the non-executive directors and the independent members who have served during the year are shown on page 1 and the Board would like to thank them all for their support and continued interest in the work of the Group.

Statement of Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all subsidiaries within the Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved, and that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice.

The key features of the Group's system of internal controls include:

- The Group has adopted the National Housing Federation's Code of Governance (Key Unlocking Futures operate to the Good Governance for the Voluntary and Community Sector code). A governance review was undertaken during 2015/16 and a new Board of Non-Executive Directors were appointed and have now taken up position. The Board have implemented a framework of self-assessment and performance management. There are regular meetings of all subsidiary boards.
- Rules, standing orders, intra-group agreements and financial regulations were all reviewed in 2015/16 and continue to meet legal, regulatory and good practice requirements.
- A structured systematic approach has been taken in response to the changing operating environment, which the Group has continued to closely monitor. Whilst no new service reviews have been undertaken during the year, individual service areas continue to be monitored to ensure they are sufficiently resourced to deliver their operational plans and business strategies.
- The Group has appointed employees, consultants and Non-Executive Directors with the required specialist skills to ensure it has the requisite skills to undertake specific business activities.
- The compliance statement (introduced in June 2015 to identify areas of non-compliance in the areas of legal, regulation, finance, health and safety and policies) has continued to operate throughout the year. There have been no areas of non-compliance reported to board. There are no trends or indications in the quarterly board performance reporting which point to weaknesses in the control environment.

- The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review. As well as a strategic level risk map (which is maintained by the Board) a Senior Management Team level risk map and individual operational risk maps are in place and regularly reviewed.
- All decisions being made by the Board are supported with an analysis of the risks involved in a mandatory risk management section.
- A robust framework of financial planning, scenario modelling and stress testing is in place to assess and mitigate strategic risks. The framework is also used to assess risks associated with potential new areas of business.
- The Group has updated their internal audit universe and associated assurance map, covering the Group's critical services, strategic risks, and other areas which contribute to the achievement of the Group's strategic objectives. This has enabled the production of a risk-based internal audit plan, focussing on the areas of most importance to the Group.
- The Audit Committee has delegated authority from the Board to approve and monitor the delivery of the internal risk-based audit plan, consider any control weaknesses, approve management actions and review follow up work on implementation of audit recommendations. The Committee meets independently with internal and external auditors to seek additional assurance on the robustness of control systems.
- The Audit Committee has received regular reports during the year with regard to any proposed significant changes to accounting policies and estimates affecting the accounts.
- BDO were appointed as the Group's external auditors on the 4 September 2017 as a result of a periodic procurement review. There were no matters arising within the previous auditor's external auditor's management letter for the year ended March 2017.
- Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board reviews the management accounts each quarter which highlight and explain any significant budget variances. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.
- The Group has in place a Raising Concerns at Work policy, as well as a dedicated whistleblowing page on its website. Details of identified frauds are maintained in a fraud register which is reviewed quarterly by the Audit Committee on behalf of the Board, prior to being submitted to the regulator through the annual return process.
- All staff are appointed on the basis of robust selection and recruitment processes, with comprehensive induction and training programmes.
- The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including Treasury Strategy and new investment projects. The Board has adopted and disseminated to all employees, the Group's Code of Governance. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply.
- The Performance Review and Development Process (PRDP) has continued to guide and assist staff and managers on how to effectively manage performance. A whole business targets group continues to monitor compliance with the process.

The Group Chief Executive has reviewed the internal control and assurance arrangements by reference to the above and has reported to the board that she is satisfied with the effectiveness of the control systems. The Audit Committee has also expressed its satisfaction with these arrangements in its review of the effectiveness of internal control systems (assisted by the Internal Audit Annual Assurance Statement). Through the work undertaken by the Committee, it can confirm that, to the best of their knowledge, there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

Environmental, Employee, Social and Community Matters

Environment

The Group undertakes a variety of initiatives to help tackle fuel poverty amongst residents – this includes upgrades to windows and doors, the installation of fuel efficient heating systems and photovoltaic panels have been used on a number of properties. All properties already meet the Decent Homes Standard and have the relevant insulation to walls and roofs. Therefore these initiatives help reduce energy usage.

Employee Involvement

The Group operates its intranet, today@Progress, which has been a huge success. We have seen the intranet grow each day into what is now a thriving digital community and an essential part of everyday working life at Progress Houisng Group. The intranet is available to all staff, whether they are office-based or using a tablet device or mobile phone.

In the last year there have been 255,000 visits to today@Progress, 57,000 searches and 16,784 document views. We have published 422 items of news which have been viewed over 63,000 times and our employees have embraced the social feed and created their own news and conversations, with over 780 feed posts and replies and 3,500 likes.

Engagement has been further enhanced at a local level by regular one-to-ones, team meetings and team development days. A number of senior management briefings have been held during the year to inform employees of Business Plan updates and discuss the strategic direction of the Group. Such sessions also provide invaluable forums for giving and receiving first-hand feedback. The annual staff conference is well attended; its focus on internal networking, gaining knowledge about different areas of the business and greater understanding of how we all contributed to the organisation's success received lots of positive feedback. The values continue to be at the heart of the Group and these were brought to life in the Progress Stars awards at the staff conference, which were aligned to the values.

The Group continued to work in partnership with its established Staff Forum which met 4 times during the year, welcoming the opportunity for dialogue and exchange of views between the senior management team and staff representatives on issues of mutual concern and interest.

During 2018, as part of its People Strategy, Progress Together, the Group developed its leadership framework, bringing together the behaviours of great leaders, great managers and great coaches. This framework has already helped to heighten self-awareness and will form the basis of development programmes moving forward. The group commissioned its first in-house ILM level 3 apprenticeship in leadership and management and has a cohort of managers registered to start.

Having retained our triennial Investors in People (IIP) accreditation in 2016, the Group ran its staff survey in Autumn 2017 focusing on reward and recognition. The first interim review of the IIP accreditation took place in February 2018 where focus groups were held to discuss, validate and provide feedback on the new leadership framework as well as to seek some practical ideas from staff to act on the findings of the staff survey.

We remain committed to equal opportunities and, once again, a group of employees have participated in the Housing Diversity Network mentoring programme and four senior managers have been mentors on the same programme. The Group continues to be committed to the Disability Confident scheme and continues to guarantee to interview all applicants with disabilities who meet the minimum criteria for a job vacancy.

Our benefits package is wide-ranging and includes everything from subsidised healthcare to an employee assistance programme and flexible working.

Gender Pay Reporting

Gender pay gap has been reported for Progress Housing Group Ltd, the only Group member with over 250 employees. Employees of Progress Housing Group Ltd. work across a range of functions including corporate services, customer services, control centre, technology enabled care and repairs and maintenance.

Our overall mean gender hourly pay gap is 1.8%, this means overall females are paid £0.28 per hour less than males. Our overall median gender hourly pay gap is 15.1% this means the average female is paid £2.23 per hour less than the average male.

One of our administrative grades, which has its pay scale within the lower quartile and the lower middle quartile, is predominantly occupied by women. There are also some grades which are predominately occupied by men; our qualified trade operatives, for example, are 100% male. There is an equal number of men and women on our Senior Management Team. We continue to appoint based on someone's ability to do the job and we are satisfied that our gender pay data is reflective of under representation of a particular gender in a particular grade rather than any other reason. Whilst we recognise that there are some areas that are underrepresented, through our equality and diversity agenda and programme of Equality Impact Assessments, we continually seek ways to redress any imbalance in the make-up of our workforce.

Customer Involvement

Putting customers at the heart of what we do to ensure our decisions are driven by customer needs and aspirations, is one of the Group's key strategic aims. We aim to ensure that everything we do delivers great results for customers and we have committed to ensuring that our customers influence service standards and business decisions. Our recent focus has therefore been on gaining a better insight into what matters most to our customers via our community engagement and scrutiny work. We have used customer insight gained from the STAR survey carried out in March 2017 to identify priorities for our customers.

The information taken from the STAR survey told us that we had four recurring themes.

- First time resolution - be friendly answer questions - keep promises
- Speed - this is not about doing it quickly it is about giving timescales.
- Inform & Communicate - give timescales and keep the customer informed
- Quality - set expectations

Overall satisfaction was good with areas for improvement recognised. We also recognised our key drivers for change. These are the items which have high importance and slightly lower satisfaction. Our key drivers for change are:

- Dealing with repairs and maintenance
- Listening to views and acting upon them
- Quality of our home

We have built an action plan around these key drivers so as to use the information effectively to drive change and this will be a key focus over the next 12 months.

Our Scrutiny Pool undertakes specific service reviews to understand the customer experience and focuses on improving customer satisfaction and strengthening VFM. Throughout the year we continued to support the capacity of the Scrutiny Pool, with an independent advisor supporting them. An assurance review of scrutiny activity was completed by the Group's internal auditor in March 2018 and found no significant risks and made two recommendations. The Scrutiny Pool remains an open forum which any tenant can attend and on average seven customers from across the Group are involved at any one time.

For the year there have been a number of mystery shopping calls, void inspections and mystery shopping web chats carried out and reported on.

The Group aims to create opportunities for all our customers and to do this we use our Progress Futures initiative. This is a free service that helps many tenants and their family members to access training or education and to improve employment prospects. The team adopts a person-centred approach to work with each individual to help them achieve their own personal goal in terms of entering training, education, volunteering or employment.

During the last financial year we were successful in securing over £270,000 in external funding to allow us to expand the service to support more customers to December 2019. This has resulted in us becoming a delivery partner in the Building Better Opportunities (BBO) – Age of Opportunity programme which aims to support individuals aged 50 years and above back into employment by offering additional support and skills.

We are also a partner in More Positive Together – a Lancashire-wide programme which aims to increase the skills and employment prospects of those furthest away from the labour market. The Progress Futures working party have identified a number of key project areas which include a furniture upcycling/recycling project, a void clearance project and a 'digital passport' for Progress Futures customers to keep a record of their training and their progress in acquiring skills. All of these projects have clear aims to create opportunities and support customers of the Group.

Business Performance

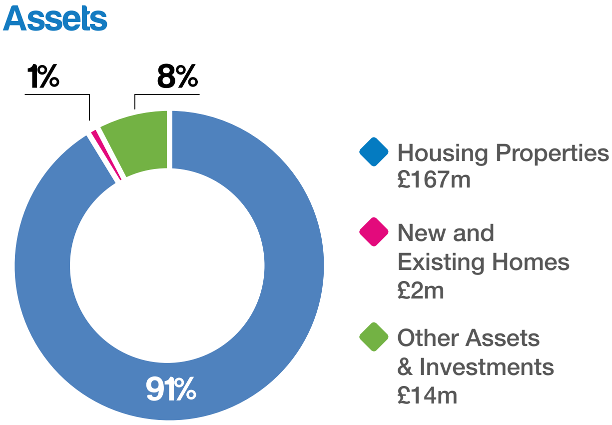
Financial Performance for the Year

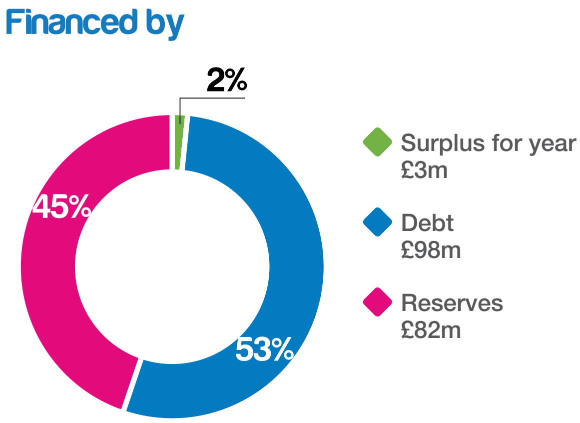
Our financial performance for the year continues to be strong in all areas. Turnover decreased by £0.3m due to lower levels of income from void guarantees. Operating costs increased by £0.3m due to increased spend on maintenance. Our operating surplus stood at £6.6m compared to £7.2m last year. The surplus after tax decreased by £0.3m to £2.7m.

Cash flow from operating activities was £10m, mainly due to the operating surplus, adding back some £3.2m of depreciation and impairment. Our development and maintenance commitments of £2.0m were funded through operating cash flows.

Net tangible fixed assets reduced by £1.4m to £168.4m reflecting asset growth reduced by depreciation. The share of the Group's pension fund deficit for SHPS schemes is £0.1m. Reserves increased by £3.4m due to the surplus made in the year. The Association had £84.7m net assets at the end of the year.

An overview of our financial picture showing total investment along with financing can be seen as:





The charts above show that our annual surplus is one part of the financing of our properties. Surpluses from our social and non-social housing activities are used to service debt and strengthen reserves, which enables us to have capacity to develop more homes. Reductions in grant rates over the last few years have placed constraints on capacity but we have continued to increase our operating cash flows and reduce our gearing levels. Over the last three years, we have spent at least 50% of our operating cash surplus on new housing.

Key Performance Indicators

The Group has a performance management framework that underpins its vision and strategic aims identified within its Strategic Plan to 2022. This ensures that we have a robust process in place to capture and report on all elements of VFM within the business including cost, performance and effectiveness measures. We have built a balanced scorecard methodology which assesses performance against financial, customer and communities, learning and growth and operating process targets.

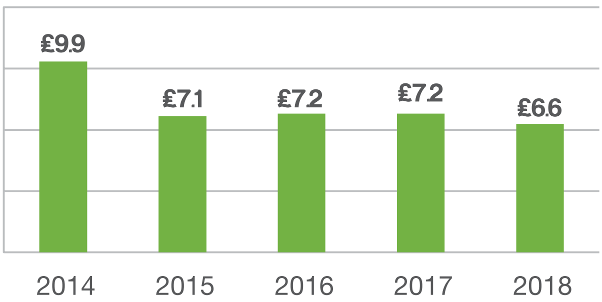
Our operational performance in the year remained strong on most of its performance indicators. PCHA regularly monitors and reports on key indicators including rent arrears expressed as a percentage of rent debit, void losses and repairs. PCHA year-end arrears performance has met the end of year targets with gross current arrears at 3.7%. Former tenant arrears performance stood at 0.3% which is 0.7% better than the 1.0% target, performance has remained stable over the previous 4 years. The main challenge we faced however was in our void performance with mixed performance across the three main indicators.

The current level of voids stood at 9.3% which is lower than the 9.6% target but rent loss due to voids excluding recharges was 6.9% against a target of 5.7%. Re-let times stood at 220.9 days against a target of 253 days. We continue to focus our strategy on reviewing demand on accommodation types and looking at ways to improve the service and time taken to fill void property.

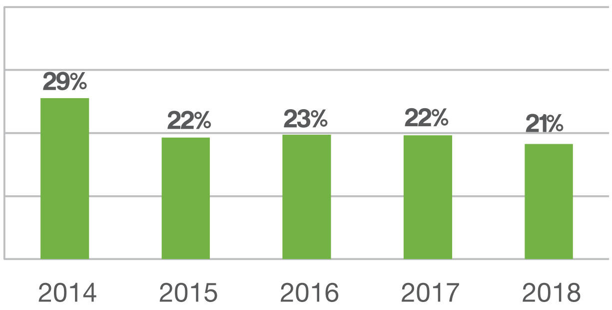
The Association monitors a number of key financial indicators. Four of them along with our performance trend over the last five years can be seen below. From 2015 onwards the financial statements were prepared under FRS102 therefore the year 2014 is not directly comparable.

The Association's underlying financial performance is within target and demonstrates our financial strength and resilience. The loan covenant indicators including interest cover shows a healthy position over time, with gearing also reducing in line with strategy. For a full list of our performance indicators and our current performance against target please visit the Group's website **www.progressgroup.org.uk**

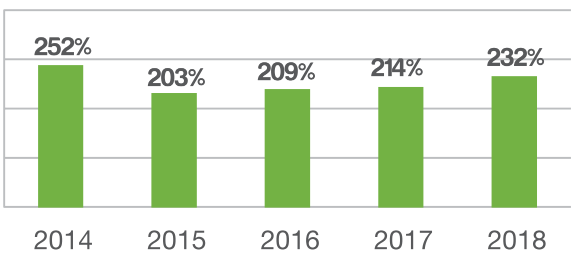
Operating Surplus £m



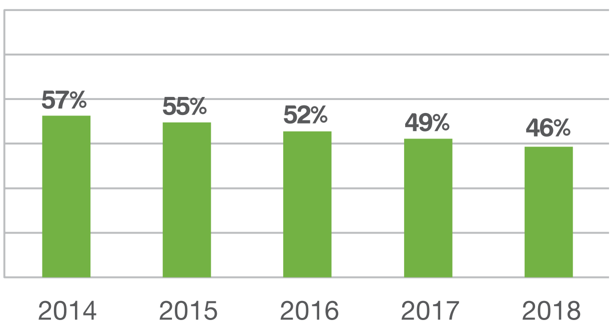
Operating Margin



Interest Cover



Gearing



Value for Money

Strategic approach and VFM

Value for Money underpins the delivery of the Group's vision and our key strategic aims. A comprehensive assessment of VFM for the year has been carried out by the Board and Executive Team. This gives our stakeholders a rounded picture of how we have performed against our VFM targets for 2017/18, how we have progressed since last year and how we intend to deliver VFM in the future. We have adopted the metrics prescribed by the Regulator of Social Housing (RSH) in its revised VFM standard, published in March 2018. We have also included some performance figures against our own targets. We are confident that we have complied with the regulator's VFM standard.

More detail on our VFM activities can be read on our website at **www.progressgroup.org.uk.**

The Board is committed to ensuring that VFM is embedded in both our culture and our decision making processes. We achieve this by:

- Setting the overall strategic direction and culture of the Group, and recognising how important it is to maximise VFM in order to deliver our strategic aims;
- Approving the VFM strategy and overseeing its implementation;
- Having a dedicated VFM and Performance Working Party in place to implement strategy and ensure compliance;
- Scrutinising and approving major business proposals including cost/benefit/risk analysis arising from the proposal;
- Approving key strategies and ensuring that VFM has been considered throughout;
- Including VFM targets within the business plan;
- Setting high performance targets and monitoring business performance closely. We do this by benchmarking against our peer group, which enables the Board to challenge us to do more;
- Reviewing progress against the Strategic Plan to ensure that the business is continuously improving and achieving more;
- Publishing our compliance with the VFM standard by the deadline of 30 September.

Executive summary - our achievements 2017/18

Our business operates with both social and non-social activities. Our social activities include providing homes for general needs, independent living and supported living customers. Our non-social activities include key worker accommodation, Technology Enabled Care and Support services (TECS), and the development of properties for outright sale. Our independent living, supported living and TECS services aim to improve housing options for people, so that they can live independently for longer. In addition to ensuring that our activities deliver VFM for us, and the regulator, we also seek to deliver value to the wider public purse – in areas such as health, social care and, in the case of Progress Futures, by having a positive impact on welfare benefits.

We set ourselves operational VFM targets in our 2017 VFM self-assessment with a clear link to deliver the Strategic Plan. They are:

- To achieve procurement and efficiency savings of over £1 million we have achieved over £2.2m across three years;
- Development of 184 new homes at a cost of £15.9 million, we have achieved 84 units at a cost of £8.9 million with further completions due in the new year;
- Continued growth of our TECS business, which has exceeded our target by 1,000 connections, reaching 19,000 with an income of £3.5 million;
- Completion of a housing stock review and our options appraisal methods;
- Exceeding our arrears target of 4% by 0.6% but performing worse voids by 0.7%, at 6.2%;
- Continued investment in IT of over £0.3 million, with some projects completing in the new year.

Regulation

As a Registered Provider, we are regulated by the Regulator of Social Housing. In November 2017 the Regulator published its annual stability check and the Group has retained a V1/G1 viability rating.

The Group monitors its ongoing compliance with both the economic and consumer Regulatory Standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis. As at the reporting date the Board can confirm compliance with these standards.

Going Concern

Basis of preparation

On 30 April 2018 the Association formally completed a transfer of engagements of all of the trade, assets and liabilities to New Progress Housing Association Limited (renamed Progress Housing Association Limited). The Association has ceased trading and as required by FRS102, the directors have prepared the financial statements on the basis that the Association is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to New Progress Housing Association Limited (Progress Housing Association Limited) at their carrying amounts.

Statement of Compliance

This Strategic Report has been prepared in accordance with best practice guidance and the Board, in approving the financial statements, are also approving the strategic report.

Statement of Disclosure to the Auditors

At the time of approval of this report:

a) so far as the Non Executive Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and

b) the Non Executive Directors have taken all steps that they ought to have taken as Non Executive Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held at Sumner House, 21 King Street, Leyland, Lancashire.

The report of the Board was approved by order of the Board and signed on its behalf by:

Deborah Atherton
Company Secretary

30 July 2018

Statement of Board´s Responsibilities

Statement of Board´s responsibilities in respect of the Board´s report and the financial statements

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

Co-operative and Community Benefit Society 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).

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 Association will continue in business.

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

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

Financial statements are published on the Group's website 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.

The updated requirements from the triennial review of FRS102 in December 2017 have not been adopted early by the Board.

Janet Hale
Board Member

Report of the Independent Auditor

Opinion

We have audited the financial statements of Progress Care Housing Association Limited ("the Company") for the year ended 31 March 2018 which comprise the Company statement of comprehensive income, the Company statement of financial position, the Company statement of changes in reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Financial statements prepared on a basis other than that of a going concern

We draw attention to note 1 which explains that as a consequence of the company completing a transfer of engagements on 30 April 2018 of trade, assets and liabilities to fellow Progress Housing Group Limited subsidiary undertaking New Progress Housing Association Limited (renamed Progress Housing Association Limited) the company is no longer a going concern and that the financial statements have therefore been prepared on a basis other than that of a going concern. Note 1 also explains that the effect of using this alternative basis. Our option is not modified in this respect.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls 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.

Report of the Independent Auditor (cont.)

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 15, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report of the Independent Auditor (cont.)

Use of our report

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

For and on behalf of BDO LLP Statutory Auditor
Manchester

Date: **23/08/2018**

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

Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	31,916	32,209
Operating expenditure	2	(25,301)	(24,980)
Operating surplus	2	**6,615**	**7,229**
Gain/(loss) on disposal of property, plant and equipment	6	7	(39)
Interest receivable	7	515	502
Interest and financing costs	8	(4,474)	(4,775)
Dividend receivable from joint venture company		-	7
Surplus before and after tax		**2,663**	**2,924**
Actuarial (loss)/gain on pension scheme	23	(188)	(537)
Transfer of Defined Benefit Scheme Liability	23	931	-
Total Comprehensive Income for the Year		**3,406**	**2,387**

The notes on pages 22 to 44 form an integral part of the financial statements.

Statement of Financial Position

As at 31 March 2018

	Notes	2018 £'000	2017 £'000
Tangible Fixed Assets			
Housing properties	9	168,203	169,612
Other tangible fixed assets	10	224	239
		168,427	169,851
Intangible Fixed Assets			
Investment in joint venture	11	1,811	1,829
Current Assets			
Stock	12	273	-
Debtors	13	2,705	2,828
Investments	14	6,400	10,248
Cash and cash equivalents		8,292	47
		17,670	13,123
Less: creditors amounts falling due within one year	15	(4,810)	(3,099)
Net current assets		12,860	10,024
Total assets		183,098	181,704
Creditors			
Amounts falling due after more than one year	16	(97,976)	(98,990)
Government grants	16	(322)	(296)
Pension liability	24	(129)	(1,153)
Net Assets		84,671	81,265
Reserves			
Share capital	17	-	-
Revaluation reserves		35,562	35,990
Income and expenditure reserves		49,109	45,275
		84,671	81,265

The notes on pages 22 to 43 form an integral part of the financial statements.

The financial statements on pages 19 to 21 were approved by the Board of Management on 30 July 2018 and were signed on its behalf by:

Janet Hale
Board Member

Nigel Wright
Board Member

Deborah Atherton
Company Secretary

Statement of Changes in Reserves

For the year ended 31 March 2018

	Revaluation Reserves	Income & Expenditure Reserves	Total
	£'000	£'000	£'000
At 1 April 2017	**35,990**	**45,275**	**81,265**
Surplus for the year	-	2,663	2,663
Actuarial loss on pension scheme	-	(188)	(188)
Transfer of Defined Benefit Scheme Liability	-	931	931
Other comprehensive income for the year	-	743	743
Reserve transfers:			
Realisation of revaluation reserve in respect of disposal of housing properties	-	-	-
Realisation of revaluation reserve in respect of depreciation on revalued housing properties	(250)	250	-
Realisation of revaluation reserve in respect of impairment on revalued housing properties	(178)	178	-
As at 31 March 2018	**35,562**	**49,109**	**84,671**
At 1 April 2016	**36,539**	**42,339**	**78,878**
Surplus for the year	-	2,924	2,924
Actuarial loss on pension scheme	-	(537)	(537)
Reserve transfers:			
Realisation of revaluation reserve in respect of disposal of housing properties	(165)	165	-
Realisation of revaluation reserve in respect of depreciation on revalued housing properties	(250)	250	-
Realisation of revaluation reserve in respect of impairment on revalued housing properties	(134)	134	-
As at 31 March 2017	**35,990**	**45,275**	**81,265**

Notes to the Financial Statements

For the year ended 31 March 2018

1. Accounting Policies

Progress Care Housing Association Limited is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulatory of Social Housing as a Registered Provider.

(1) Basis of Accounting

The financial statements of the Association are prepared in accordance with Financial Reporting Standard 102 (FRS102) – the applicable financial reporting standard in the UK and Republic of Ireland and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The updated requirements from the triennial review of FRS102 in December 2017 have not been adopted early by the Board.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

On 30 April 2018 the Association formally completed a transfer of engagements of all of the trade, assets and liabilities to New Progress Housing Association Limited (renamed Progress Housing Association Limited). The Association has ceased trading and as required by FRS102, the directors have prepared the financial statements on the basis that the Association is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to New Progress Housing Association Limited (Progress Housing Association Limited) at their carrying amounts.

(2) Turnover

Income is measured at the fair value of the consideration received or receivable. The Association generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Service charges receivable
- Void guarantees
- Revenue and supporting people grants
- Proceeds from the sale of land and property.

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 are recognised at the point of legal completion of the sale.

(3) Housing Properties

Housing properties completed prior to 1 April 2014 are stated at 'Deemed cost' as permitted by the transitional arrangements of FRS102 para 35.10d and are accounted for under the cost model. The valuation in place at the transition date, 1 April 2014, was deemed cost. This value is then depreciated each year, and stated at net book value which is equivalent to cost less depreciation. All housing properties acquired after 1 April 2014 are accounted for at cost, and then subsequently depreciated.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement, as set out below.

Housing Properties leased between Group members are held at the present value of future cash flows.

Refurbishment or replacement of such a component is capitalised and then depreciated on a straight line basis over the estimated useful economic life of the component as detailed in the accounting judgements narrative.

Freehold land is not depreciated. Depreciation for the key worker accommodation properties is over the minimum remaining period of the lease which is 42 years commencing in 2006.

Housing properties in the course of construction are stated at cost and are transferred to housing properties held for letting when completed. Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

(4) Social Housing Grant and Other Capital Grants

Social housing grant (SHG) can be recycled by the Registered Provider under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met.

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. SHG allocated to lease properties is included in current liabilities and amortised over the lease term.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt. Other capital grants are also repayable under certain conditions and may be secured by first legal charge on the housing property.

Social housing grants received in the year are recognised in current and non-current liabilities based on the accrual model, and are amortised over their useful life which is generally 80 years unless specific conditions apply.

(5) Capitalisation of Interest and Development Overheads

Interest is capitalised on loans financing schemes in development up to the point of practical completion. This is calculated by reference to the Association's cost of borrowing and relevant development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the support costs directly incurred on this activity.

(6) Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write-off the assets over their effective working lives as detailed in the accounting judgements narrative.

(7) Defined Benefit Pension Schemes

Progress Care Housing Association Limited continues to participate in Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme defined benefit schemes. For current service, mandatory contributions to the defined benefit pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. Past service contributions are based on lump sums. The cost of providing pensions is charged to the period over which PCHA benefits from the employee's service, in accordance with FRS102.

From 1 April 2014, in accordance with FRS102, the past service contributions of the Social Housing Pension are now recognised as liabilities, split between current and non-current liabilities. Employer payments are made in line with the annual schedule of contributions: an element of these are offset against the liability, and an element is recognised through an interest charge.

The Company closed the Lancashire County Council LGPS scheme on 29 March 2018.

(8) Major Repairs and Improvements

Expenditure incurred relating to improvements, defined as an increase in the net rental stream or the life of a property in the SORP, are capitalised as components. The carrying amount of components replaced is written off to operating expenditure.

Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

(9) Taxation

The Association has charitable status and no liability to Corporation tax arises on its surplus for the year. For the same reasons, no provision is made for deferred taxation.

(10) Value Added Tax

PCHA is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is therefore subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption calculation is credited to the Statement of Comprehensive Income.

(11) Bad and Doubtful Debts

PCHA provides against rent arrears of former tenants and other trade debtors to the extent that they are considered to be irrecoverable.

(12) Finance Leases

Assets held under finance leases are recorded in the Statement of Financial Position as fixed tangible assets and as an obligation to pay future rentals.

(13) Operating Leases

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

(14) Recycling of Capital Grant

Where social housing grant is recycled the SHG is credited to a fund, which appears as a creditor until spent.

(15) Interest and Finance Costs

Interest, agency fees, non-utilisation fees and consent fees are expensed within the financial year.

Amortisation relates to loan arrangement fees which are written off over the period of the loan detailed further in note 16 below.

Interest is capitalised on loans financing schemes in the course of development as explained in accounting policy note (5).

Also included within finance costs is interest in respect of the defined benefit pension schemes. A pension interest charge is included in respect of the unwinding of the Social Housing Pension Scheme. An interest expense is also included in respect of the Local Government Pension Scheme following an actuarial valuation.

(16) Housing Loans

Housing loans are classified as creditors and are held at amortised cost using the effective rate of interest.

(17) Properties Managed by Agents

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

Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

(18) Supporting People

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as ‘charges for support services’ in income from Social Housing Lettings. The related costs are shown as ‘support’ expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as ‘other supporting people income’ in Other Social Housing Activities.

SP contract income received from Administering Authorities are not dealt with as part of the rent, it is shown as ‘Supporting People contract income’ in Other Social Housing Activities.

(19) Service Charges

The Association operates fixed service charges on a scheme by scheme basis in line with tenancy agreements.

(20) Impairment

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset’s remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

If an indication of impairment was identified, then the process consisted of reviewing the net book value against a number of factors, ranging from open market value, replacement cost and the net present value of all future cashflow associated with the asset in order to determine the net present value.

The Association reviews its supported living properties for triggers of impairment, and during the year, this was identified, for some of our properties, as a high level of voids. Where there was a substantial void issue, it was assumed that this would trigger an impairment review. There were no other indicators of impairment.

(21) Service Concession Arrangements

PCHA elected to take the 'first time adopter' exemption permitted by para 35.10(i) of FRS102 to continue to account for Service Concession Arrangements that were in existence at the date of transition, under the pre 1 April 2016 UK GAAP methodology.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Financial Instruments

The Association's loan facilities have been assessed as basic financial instruments and have been treated as such as outlined in FRS102 section 11.

Depreciation of housing properties - components

Components of housing properties are depreciated over their useful economic lives, determined by the length of time the individual component will be used before it is replaced. They are depreciated on a straight line basis over the estimated useful economic life of the component at the following rates:

Structure	shorter of 80 years or the remaining length of the lease
Kitchen	10-20 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows & doors	30 years
Lifts	25 years
Photovoltaic installations	25 years

The useful lives were originally determined by reviewing stock condition survey data and component replacement cycles, and also through regular benchmarking of the industry.

Housing Property Impairment

PCHA has to make an assessment as to whether indicators of impairment exist. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, the Group reduced social housing general needs rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with Welfare Reform and Work Act 2016. From 1 April 2017, this also applied to all supported housing rents (with some exceptions) which primarily included independent living schemes. Despite cost efficiency savings and other changes PCHA's business compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, the Company is required to make the following disclosure:

a) Judgements made in defining the cash generating unit (CGU) – the CGU used for this test has been assumed as the various schemes that make up the fixed asset portfolio. Assets are recognised as schemes when they are normally, developed as a group, and as such, the cash flows are related.
b) Estimation technique and judgement used in measuring recoverable amount – the recoverable amount has been calculated as the greater of the fair value less costs to sell, and then value in use of the assets. The recoverable value has been assumed to be held at the value in use – service potential.
c) When value in use service potential (VIU-SP) is used to estimate the recoverable amount, the key assumptions used and details of the method used. VIU-SP is calculated as the lower of the cost of purchasing a replacement or constructing a social housing property.

The Company estimated the recoverable amount of its housing properties and determined that 3 further impairment adjustment was required (2017: 1).

Other fixed assets

Other fixed assets are depreciated over their useful economic lives which are determined by the length of time the asset is expected to be in use, as follows:

- Fixtures and Fittings
  Straight Line Basis over 5 years

- Leasehold Offices
  Straight Line Basis over the lease term

Pension Scheme Accounting

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The assumptions reflect historical experience and current trends.

The Association's share of the SHPS pension scheme's assets and liabilities cannot be calculated on a reasonable and consistent basis and therefore discounted future cash flows of future payments, with respect to the deficit funding agreements, are recognised within creditors. Judgements are made around the discount rate used which is based on current interest rates.

The valuation of defined benefit pension scheme obligations has a number of critical underlying assumptions are made when measuring a defined benefit scheme, including standard rates of inflation, mortality, discount rates and anticipation of future salaries. Variation in these assumptions may significantly impact the net asset/liability and the annual expense.

Both schemes assumptions and calculations are based on independent actuarial reviews. The Directors are satisfied that these assumptions are appropriate.

2. Turnover, Operating Expenditure and Operating Surpluses

	2018		
	Turnover	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000
Social Housing Lettings (note 3a)	27,764	(21,380)	6,384
Other Social Housing Activities (note 3b)			
Supporting People	209	(193)	16
Other Income	175	-	175
Non Social Housing Activities (note 3c)			
Lettings			-
Other	3,768	(3,728)	40
Total	**31,916**	**(25,301)**	**6,615**

	2017		
	Turnover	Operating Expenditure	Operating Surplus/
	£'000	£'000	£'000
Social Housing Lettings (note 3a)	28,138	(21,234)	6,904
Other Social Housing Activities (note 3b)			
Supporting People	200	(176)	24
Other Income	224	-	224
Non Social Housing Activities (note 3c)			
Other	3,647	(3,570)	77
Total	**32,209**	**(24,980)**	**7,229**

3(a). Income and expenditure from social housing lettings

	Supported housing £'000	Shared ownership £'000	Total 2018 £'000	Total 2017 £'000
Income				
Rent receivable net of identifiable service charges	21,871	233	22,104	22,367
Service charge income	4,492	6	4,498	4,449
Amortised government grants	4	-	4	-
Void guarantees and revenue grants	1,066	-	1,066	1,225
Other income	92	-	92	97
Turnover from social housing lettings	**27,525**	**239**	**27,764**	**28,138**
Expenditure				
Management	(2,089)	(1)	(2,090)	(2,417)
Service and support costs	(5,316)	(9)	(5,325)	(5,224)
Routine maintenance	(4,389)	(12)	(4,401)	(4,109)
Planned maintenance	(857)	(4)	(861)	(697)
Major repairs expenditure	(1,574)	1	(1,573)	(1,069)
Bad debts	(102)	-	(102)	(34)
Property operating lease charges	(3,689)	-	(3,689)	(3,752)
Depreciation of housing properties	(2,226)	(18)	(2,244)	(2,202)
Impairment of housing properties	(178)	-	(178)	(153)
Other costs	(916)	(1)	(917)	(1,557)
Operating costs on social housing lettings	**(21,336)**	**(44)**	**(21,380)**	**(21,234)**
Operating surplus on lettings activities	**6,189**	**195**	**6,384**	**6,904**
Void losses (included within turnover)	(2,527)	-	(2,527)	(2,304)

A number of the void losses above are subject to agreements where the Association is compensated for its losses. These void guarantees, which are not included in the void losses above, are chargeable to third parties in the year and totalled £1.065m (2017: £1.2m).

Impairment charges include impairment of previously revalued housing properties. There is a transfer from revaluation reserves of £0.2m (2017: £0.1m) which appears as a credit in the Statement of Changes in Reserves. The impairment on a historic cost basis is £nil (2017: £0.02m).

3(b). Turnover From Other Social Housing Activities

	2018	2017
	£'000	£'000
Other		
Supporting People	209	200
Management fee from other group companies	175	224
Total	**384**	**424**

3(c). Turnover From Non-Social Housing Activities

	2018	2017
	£'000	£'000
Other		
Key worker accommodation	3,492	3,371
Income from leased out properties	276	276
	3,768	**3,647**

4. Accommodation in Management

	2018	2017
	No.	No.
Social housing units owned and / or managed (excluding leasehold units)		
Social rent supported housing	2,530	2,548
Low cost home ownership	25	25
Total social housing units owned and / or managed	**2,555**	**2,573**
Total non-social rental housing units owned and / or managed	**587**	**600**
Total	**3,142**	**3,173**
Total social housing units owned	**2,552**	**2,570**

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants. The association owns 26 properties (2017: 28) that are managed on its behalf, under management agreements, by other bodies. The association manages 180 properties on behalf of another Group company. The Association receives a management fee.

5. Surplus For The Year

	2018	2017
Is stated after charging:	£'000	£'000
Auditor's remuneration (excluding VAT)		
In their capacity as auditors	13	12
In respect of other services	2	2
Depreciation of tangible fixed assets		
- Housing properties	3,011	2,964
- Other fixed assets	15	15
Impairment on historic cost basis	-	20
Impairment on previously revalued amounts	178	134
Hire of other assets - operating leases		
- Housing properties	3,689	3,752
- Other fixed assets	14	14

6. Gain/(loss) on disposal of property, plant and equipment

	2018	2017
	£'000	£'000
Sale proceeds	320	527
Cost of sales	(308)	(475)
Operating costs associated with sales	(5)	(91)
Gain/(loss) on disposals	7	(39)

Impairment charges of £0.02m (2017: £0.3m) have been accounted for in current and prior years on housing properties disposed of in the year.

7. Interest receivable

	2018	2017
	£'000	£'000
Bank interest receivable	14	15
Interest receivable from group companies	284	262
Interest on loan to joint venture company	217	225
	515	**502**

8. Interest and financing costs

	2018	2017
	£'000	£'000
On bank loans:		
Repaid during the year	-	86
Repayable within 1 year	44	-
Repayable within 1 & 2 years	149	112
Repayable within 2 & 5 years	490	475
Repayable wholly or partly in more than 5 years	3,197	3,389
Other finance and overdrafts	567	567
Amortisation of loan issue costs	25	25
Financing costs	-	110
Pension scheme finance costs	27	34
	4,499	4,798
Less: Interest capitalised	(25)	(23)
	4,474	**4,775**

Interest has been capitalised at 4.14% in the year (2017: 4.24%).

9. Tangible Fixed Assets - Housing Properties

	Housing Properties Completed	Housing Properties Under Construction	Shared Ownership Completed	Shared Ownership Under Construction	2018 Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April	194,473	1,643	2,159	5	198,280
Additions	806	802	8	745	2,361
Transferred on completion	2,348	(2,348)	-	-	-
Transferred to SO stock	-	-	-	(273)	(273)
Disposals	(804)	-	-	-	(804)
As at 31 March	**196,823**	**97**	**2,167**	**477**	**199,564**
Depreciation					
At 1 April	28,520	-	148	-	28,667
Charge for the year	2,876	-	18	-	2,895
Depreciation on disposals	(360)	-	-	-	(360)
Impairment	159	-	-	-	159
As at 31 March	**31,195**	-	**166**	-	**31,361**
NBV					
As at 1 April	165,953	1,643	2,011	5	169,612
As at 31 March	**165,628**	**97**	**2,001**	**477**	**168,203**

The value of secured properties (including charged to 3rd parties) is £129.6m (2017: £128.1m).

Completed Housing properties above include key worker accommodation with a net book value of £21.9m (2017: £22.6m). These properties are not considered to be social housing properties and the related rental income is presented as 'non-social housing income' as the rent is set at a market rate. They are not however considered to be investment properties as the nature of the key worker arrangement means that this still fits the definition of social benefit, and it is therefore appropriate to account for these assets at historic cost.

The above cost in respect of Housing Properties completed comprises:

	Housing Properties Completed 2018	Housing Properties Completed 2017	Shared Ownership Completed 2018	Shared Ownership Completed 2017
	£'000	£'000 Restated	£'000	£'000 Restated
Freehold Properties	121,030	121,267	1,837	1,846
Long-leasehold Properties	44,598	44,686	164	165
Total	**165,628**	**165,953**	**2,001**	**2,011**

During the year, the property records have been reviewed at an individual level and restated the freehold and leasehold categories. On adoption of FRS102, the accounting policy has changed to Deemed Cost/Frozen Valuation. However, the valuation of the housing properties is stated below for information.

	2018	2017
	£'000	£'000
Most recent EUV-SH valuation @ March 14	175,609	174,665

Capital additions include £25k (2017: £23k) of interest capitalised at 4.14% in the year. Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £54k (2017: £67k) and on in-house legal costs amounting to £3k (2017: £5k).

Major Repairs, Renewals and Improvements

	2018	2017
	£'000	£'000
Capitalised components	800	561
Capitalised structural improvements	52	65
Charged to revenue	1,640	1,125
Total Major Repairs Revenue and Capital	**2,492**	**1,751**

10. Tangible Fixed Assets - Other

	Leasehold Office Properties £'000	Office Fixtures & Fittings £'000	Scheme Fixtures £'000	2018 Total £'000
Cost or valuation				
At 1 April & 31 March	**288**	**21**	**27**	**336**
Depreciation				
At 1 April	63	21	13	97
Charge for the year	10	-	5	15
At 31 March	**73**	**21**	**18**	**112**
Net Book Value				
At 1 April	225	-	14	239
At 31 March	**215**	**-**	**9**	**224**

All of the assets above are held at cost less accumulated depreciation.

11. Fixed Asset Investment

Progress Care Housing Association holds 33.3% (£333) of the equity share capital of Leeds Independent Living Accommodation Company Holdings Ltd, a private finance initiative commissioned by Leeds City Council to fund the reprovision of accommodation for independent living. This is a joint venture with two other shareholders, Civic PFI Investments Limited and Jack Lunn (Properties) Ltd, each hold 33.3% of the equity share capital.

12. Stock

	2018 £'000	2017 £'000
Completed shared ownership properties held for sale	273	-

13. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Rent and service charge arrears	1,297	1,384
Less provision for rental bad debts	(83)	(69)
	1,214	1,315
Trade debtors	846	738
Prepayments and accrued income	815	858
Less provision for sundry bad debts	(170)	(83)
	1,491	1,513
Total Debtors	**2,705**	**2,828**

14. Current Asset Investments

	2018 £'000	2017 £'000
Bank deposits	-	4,848
Short-term loans owed by group companies	6,400	5,400
	6,400	**10,248**

15. Creditors: amounts falling due within one year

	Notes	2018 £'000	2017 £'000
Loans	**16**	1,037	-
Obligations under finance leases	**16**	3	3
Rent and service charge received in advance		350	301
Government grants in relation to assets	**16**	4	4
Trade creditors		793	545
Accruals and deferred income		2,115	1,809
Amount owed to group companies		290	219
Pension deficit liability	**23**	20	22
Other current liabilities		198	196
		4,810	**3,099**

Amounts owed to group companies are repayable on demand and do not attract interest.
Standard payment terms are 30 days from date of invoice.

16. Creditors: amounts falling due after more than one year:

	2018	2017
	£'000	£'000
Housing loans	90,156	91,167
Obligations under finance leases	7,820	7,823
	97,976	**98,990**

Maturity of debt

Bank and building society loans repayable in instalments as follows:	2018	2017
	£'000	£'000
Within one year	1,037	-
Between one and two years	3,517	2,592
Between two and five years	11,549	10,941
After five years	75,436	78,006
Total loans	91,539	91,539
Less loan issue costs	(346)	(371)
Amounts falling due after more than one year	**90,156**	**91,167**
Total Housing Loans	91,193	91,167

Housing loans are secured by fixed charges on the Association's assets. They include fixed and variable rate loans, at various rates, between 1.00% and 5.67%.

Progress Care Housing Association has a joint facility with a related company with committed undrawn loans totalling £32.5m. Upto £10m of this can be drawn by Progress Care Housing Association.

Net finance lease obligations	Note	2018	2017
		£'000	£'000
Within one year	**15**	3	3
Between two and five years		14	13
After five years		7,806	7,810
		7,823	**7,826**

Government grants in relation to housing assets	Note	2018	2017
		£'000	£'000
Deferred income - Government grants			
At 1 April		300	-
Grants receivable		30	300
Amortisation to Statement of Comprehensive Income		(4)	-
At 31 March		326	300
Due within one year	**15**	4	4
Due after one year		**322**	**296**

Reserves in the Statement of Financial Position include £29.2m (£28.9m at transition of FRS102 1 April 2014) of Financial Assistance and Government Grants. £4k has been recognised in the Statement of Comprehensive Income since transition of FRS102.

17. Non-Equity Share Capital

	2018	2017
	£	£
Allotted Issued and Fully Paid:		
At 1 April	9	9
Issued during the year	3	5
Surrendered during the year	(3)	(5)
At 31 March	**9**	**9**

The shareholders do not have a right to any dividend or distribution upon winding-up.
Each shareholder has full voting rights and £1 non equity shares.

18. Capital Commitments

	2018	2017
	£'000	£'000
Capital expenditure contracted but not provided for in the financial statements	1,659	80
Capital expenditure that has been authorised by the board of Directors but has not yet been contracted for	2,795	2,455
	4,454	**2,535**

	2018	2017
	£'000	£'000
Progress Care Housing Association expects the contracted commitments to be financed with:		
Grants	1,200	-
Committed loan facilities and free cash flow	3,254	2,535
	4,454	**2,535**

Commitments for payables and receivables under non-cancellable operating leases are analysed below:

	Housing Properties	
	2018	2017
Leased from external bodies	£'000	£'000
Break Clause:		
Less than 1 year	3,197	3,446
Within 2-5 years	2,302	3,419
More than 5 years	1,592	1,831
	7,091	**8,696**

	Housing Properties	
	2018	2017
Leased to external bodies	£'000	£'000
Break Clause:		
Less than 1 year	334	342
Within 2-5 years	503	687
More than 5 years	176	219
	1,013	**1,248**

19. Employee Information

	2018 No.	2017 No.
The average number of full-time equivalent persons employed during the year was:		
Office staff	39	42
Staff providing tenant services	11	11
	50	**53**

Full-time equivalents are calculated based on a standard working week of 36.25 hours.

Staff costs (for the above persons)

	2018 £'000	2017 £'000
Wages & Salaries	1,483	1,558
Social security costs	131	142
Other pension costs	114	136
	1,728	**1,836**

Above wages and salary costs include £31k (2017: £53k) of restructuring costs.

Remuneration bandings for all employees earning over £60,000:

	2018	2017
£80,001 - £90,000	1	1

Remuneration for the above includes salaries, bonuses, pension, benefits in kind and compensation for loss of office.

20. Related Party Transactions

The Group adopted the National Housing Federation Model Rules in April 2016, which removed constituency group representation on its boards of management. Therefore at the end of the financial year there were no members of the boards who are tenants of the Group. The Group does not report any intercompany recharges under the exemption 33.1a of FRS102.

21. Ultimate Parent Company

The Association's ultimate parent company is Progress Housing Group Limited. Progress Housing Group Limited consolidated financial statements can be obtained from the Group's website or from the Company Secretary at the registered office:

Sumner House
21 King Street
Leyland
PR25 2LW

22. Post Balance Sheet Event Disclosure

In accordance with section 32 of FRS102, Progress Care Housing Association Limited is disclosing that on 30 April 2018, in order to simplify the Group, a Transfer of Engagements of Progress Care Housing Association Limited into fellow subsidiary undertaking New Progress Housing Association Limited completed. On this date Progress Care Housing Association Limited therefore ceased trading.

New Progress Housing Association Limited changed its name to Progress Housing Association Limited on the same day.

23. Pension Obligations

The Group participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. The LCC is a defined benefit scheme and SHPS has both defined benefit streams and defined contribution streams within its scheme, and detailed regulations govern the rates of pension contribution by both employees and the Group. Benefits are normally in the form of a lump sum retirement grant plus an annual pension.

As a responsible employer, the Group's strategy is to proactively manage defined-benefit pension scheme deficits by taking the following steps, whilst ensuring the pension offered is competitive.

- Closing both its multi-employer, defined benefit pension schemes to new membership in 2009, reduced from 206 employees in 2009 to 113 employees in 2018
- Increasing employer contributions beyond those actuarially assessed
- Making additional lump sum payments to the Lancashire Local Government Pension scheme, where indicated by actuarial assessment
- Making a good quality defined contribution scheme available for all new starters
- Closing Progress Care Housing Association scheme on 29 March 2018.

Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in his valuation. The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

Pension Liabilities:	**Note**	**2018**	**2017**
		£'000	**£'000**
Lancashire County Pension Fund		-	1,002
Social Housing Pension Scheme		149	173
		149	**1,175**
Creditors: Amounts falling due within one year	**15**	20	22
Pension liabilities		129	1,153
		149	**1,175**

LANCASHIRE COUNTY PENSION FUND

The most recent full actuarial valuation of the fund was as at 31 March 2016, the results of which were:

Valuation Method	Projected Unit
Value of Assets	£6,036 million

The Group's employers' contributions to the fund during the year were 15.6% of pensionable salary in the year, and amounted to £620k. The following table details the numbers of staff who are members of the fund. On 29 March 2018, Progress Care Housing Association terminated its scheme and existing employees transferred to either New Progress Housing Association or Progress Housing Group.

	Employers' Contributions		**No. Staff**	
	2018	**2017**	**2018**	**2017**
	£'000	**£ '000**		
New Progress Housing Association	51	55	11	16
Progress Care Housing Association	70	85	14	13
Progress Housing Group	499	600	88	104
Discretionary Additional Contribution	-	500		
Total Group	620	1,240	113	133

Actuarial Assumptions	**At 31/03/18**	**At 31/03/17**
Rate of CPI Inflation	2.10%	2.30%
Rate of Increase in Salaries	3.60%	3.80%
Rate of Increase in Pensions	2.20%	2.30%
Discount Rate	2.60%	2.50%

Asset information	**Market Value at 31 March 2018 £'000**	**% Split of Assets %**	**Market Value at 31 March 2017 £'000**	**% Split of Assets %**
Equities	22,412	44.40	-	0.00
Government Bonds	1,262	2.50	1,014	2.00
Other Bonds	909	1.80	811	1.60
Property	4,745	9.40	4,462	8.80
Cash/Liquidity	(202)	-0.40	558	1.10
Other (includes Credit funds, Overseas pooled & Private equity funds, Infrastructure)	21,353	42.30	43,859	86.50
Total Market Value of Assets	50,479	100.00	50,704	100.00
Present Value of Scheme Liabilities	60,223		63,086	
Net Pension Liability before tax asset	(9,744)		(12,382)	
PCHA Allocation	0		(1,002)	

On 29 March 2018 PCHA terminated its admission agreement which resulted in the removal of the FRS102 liability.

23. Pension Obligations (cont.)

The following disclosures relate to the Group as a whole (excl NFH):

Balance Sheet items as at 31 March	**Group 2018 £'000**	**PCHA Share 2018 £'000**	**2017 £'000**
Present Value of Funded Benefit Obligations	60,132	-	62,989
Present Value of Unfunded Benefit Obligations	91	-	97
Total Present Value of Benefit Obligations	60,223	-	63,086
Fair Value of Plan Assets	(50,479)	-	(50,704)
Deficit before deferred tax asset	**9,744**	**-**	**12,382**

Components of pension cost for period to 31 March	**2018 £'000**	**2018 £'000**	**2017 £'000**
Current Service Cost	1,334	151	1,051
Net Interest Cost	301	25	251
Admin Expenses	20	2	23
Settlements/Curtailments	(358)	(358)	132
Total pension cost recognised in Income & Expenditure	**1,297**	**(180)**	**1,457**
Amounts recognised in Other Comprehensive Income			
Remeasurements (liabilities & assets)	(3,289)	188	4,702
Transfer of scheme liabilities between Group companies		(931)	
Total Remeasurements included in Statement of Comprehensive Income	**(3,289)**	**(743)**	**4,702**

Change in Benefit Obligation during period to 31 March	**Unfunded Benefits**	**2018 £'000 All Benefits**	**2018 £'000 All Benefits (PCHA)**	**Unfunded Benefits**	**2017 £'000 All Benefits**
Benefit Obligation at Beginning of Period	97	63,086	4,956	233	45,321
Current Service Cost		1,334	151		1,051
Interest on Pension Liabilities	2	1,569	124	9	1,616
Member Contributions		287	31		330
Remeasurements (gain)/loss on assumptions	(2)	(2,756)	(210)	(139)	15,841
Benefits/transfers paid	(6)	(900)	(110)	(6)	(1,205)
Transfer of active members to other Group companies		-	(2,545)		-
Settlements/Curtailments		(2,397)	(2,397)		132
Benefit Obligation at end of period	91	60,223	-	97	63,086

Change in Plan Assets during period to 31 March	**Unfunded Benefits**	**2018 £'000 All Benefits**	**2018 £'000 All Benefits (PCHA)**	**Unfunded Benefits**	**2017 £'000 All Benefits**
Fair value of plan assets at beginning of period		50,704	3,954		37,586
Interest on plan assets		1,268	99		1,365
Remeasurements assets		553	(398)		11,139
Admin expenses		(20)	(2)		(23)
Employer contributions	6	626	79	6	1,512
Member contributions		287	31		330
Transfer of active members to other Group companies		-	(1,614)		-
Settlements		(2,039)	(2,039)		-
Benefits/transfers paid	(6)	(900)	(110)	(6)	(1,205)
Fair value of plan assets at end of period	-	50,479	-	-	50,704
Actual Return on Plan Assets		1,821			7,361

Post retirement mortality assumptions		
Non-retired members	S2PA CMI_2015 [1.5%] (98% Males, 89% Females)	S2PA CMI_2015 [1.5%] (98% Males, 89% Females)
Retired members	S2PA CMI_2015 [1.5%] (99% Males, 93% Females)	S2PA CMI_2015 [1.5%] (99% Males, 93% Females)
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	25 (28) years	24.9 (27.9) years
of a male (female) current pensioner aged 65	22.7 (25.4) years	22.6 (25.2) years
Market value of total fund assets (£ millions)	**7,458**	**7,116**

23. Pension Obligations (cont.)

Social Housing Pension Scheme

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

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020: £40.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)

Tier 2 From 1 April 2016 to 30 September 2023: £28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)

Tier 3 From 1 April 2016 to 30 September 2026: £32.7m per annum (payable monthly and increasing by 3% each year on 1 April)

Tier 4 From 1 April 2016 to 30 September 2026: £31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

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

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

23. Pension Obligations (cont.)

Progress Housing Group particpates in the SHPS defined benefit scheme which is in deficit and members of the Group have agreed to a deficit funding agreement and therefore the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Details of the amounts recognised are shown below:

	Note	2018 £'000	2017 £'000
Present Value of provision		**149**	**173**
Reconciliation of opening and closing provisions			
Provision at 1 April		173	189
Unwinding of the discount (interest expense)		2	3
Deficit contributions paid		(24)	(23)
Remeasurements - impact of change in assumptions		(2)	4
Remeasurements - amendments to the contribution schedule		-	-
Provision at at 31 March		**149**	**173**
Creditors: Amounts falling due within one year	**15**	20	22
Pension liabilities		129	151
		149	**173**
Income and expenditure impact			
Interest expense		2	3
Remeasurements - impact of change in assumptions		(2)	4
Remeasurements - amendments to the contribution schedule		-	-
		-	**7**
Assumptions			
Rate of discount used		**1.72%**	**1.33%**

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

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Progress Care Housing Association
An exempt charity registered under the Co-operative and Community Benefit Societies Act 2014 registered with the Financial Conduct Authority No. 28761R and with the Regulator of Social Housing LH4188.

VAT registration number 712 6635 46.

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