



**Adullam Homes Housing Association Limited
Consolidated Financial Statements
For the Year Ended 31 March 2018**

Adullam Homes Housing Association Limited is an exempt charity.

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Board Report incorporating the Strategic Report

Board of Management:

Chris Green (Chair from 14th May 2018)
Ian Heath
Jane Newsome (Co-opted 1st January 2017)
Stephen Philpott
Tony Price (Co-opted 1st January 2017)
Julia Regis
Derek Seedhouse (Resigned 14th May 2018)
Kelly Sotherton
Peter Walton
Helen Woodall

Executive Directors:

Trevor Palfreyman (Chief Executive)
Elaine Sharkey (Director of Operations)
Chris Judson (Director of Finance & Resources & Secretary - Resigned 30th September 2017)

Company Secretary:

T Palfreyman (From 1st October 2017)

Registered Office: Walter Moore House 34 Dudley Street West Bromwich West Midlands B70 9LS

Social Housing Regulator Registration Number: LH 1388

Co-operative and Community Benefit Societies Act 2014 Registration Number: 20853R

External Auditor: RSM UK Audit LLP

Internal Auditor: TIAA (The Internal Audit Association)

Bankers: Santander
Lloyds Bank

Lenders: Triodos Bank NV
Natwest (Orchardbrook)

Solicitors: Anthony Collins Solicitors LLP
Irwin Mitchell Solicitors
Trowers & Hamlins LLP

The Board of Management's Strategic Report with the financial statements for year ending 31 March 2018

Principal Activities, Governance and Legal Structure

Adullam Homes Housing Association Limited (Adullam) was founded by Walter Moore MBE in 1972. Since then, the organisation has developed and at any one time supports over 1,000 people from vulnerable backgrounds across the North West, Midlands, Derbyshire, South Yorkshire and North Wales regions.

Mission

Adullam's mission statement is: "Restoring hope and dignity". Adullam works with young single homeless people, young people leaving care, those from offending backgrounds, vulnerable mothers and children, people recovering from drug and alcohol addiction, people living with enduring mental health issues and vulnerable families. Adullam aims to help people to access safe, comfortable accommodation and support them to go on to lead independent lives. A key part of "Restoring hope and dignity" is assisting service users to improve their employability and find opportunities to gain work and work experience, particularly through social enterprise activities.

Values and Behaviours

Adullam was formed for the benefit of the community by Walter Moore, as an expression of his Christian faith. The Association today continues that work as an expression of Christian faith in action. Our values at Adullam, and the expected behaviours that flow from them, were developed by the Board, service users and staff. Board Members are guardians of the Association's values. It is essential for the culture and well-being of the Association that the Association's values are lived out in practice, because they impact upon the way that we behave towards one another, our service users and other stakeholders (Commissioners, partners, suppliers and friends of Adullam).

Our values are:

- *Valuing the individual*
- *Integrity and Fairness*
- *Striving for Excellence*

Our goal is to help vulnerable and often excluded people, regardless of their background.

Governance and Legal Structure

Adullam is an exempt charity registered with the Financial Conduct Authority and registered with the Regulator of Social Housing as a Private Registered Provider. Adullam's governing instrument is a set of rules based upon the National Housing Federation's (NHF) 2015 model rules. The rules dovetail with the 2015 NHF Code of Governance, which the Association adopted on 27th April 2016; on this date the Association also adopted the NHF Code of Conduct.

Subsidiary Companies

- Adullam Social Enterprises CIC - commenced trading on 2nd April 2016
- Adullam Restorative Practices CIC - this company has not traded since being set up and is considered to be dormant

Board Report incorporating the Strategic Report

Financial Review of 2017/18

Five Year Highlights	*2017/18 SORP 2014	*2016/17 SORP 2014	**2015/16 SORP 2014	**2014/15 SORP 2014	**2013/14 SORP 2010
Financial Performance					
Turnover (£000)	9,837	8,508	9,746	9,591	10,073
Total comprehensive income (deficit) for the year (£000)	(956) #	(304)	235	465	(24)
Financial return (%)	(9.7) #	(3.6)	2.4	4.8	(0.24)
Interest payable (£000)	63	57	59	85	66
Interest cover	0	0	5.0	6.5	0
Financial Position					
Housing Properties (cost) (£000)	25,538	24,283	24,714	24,690	24,434
Cash and cash equivalents (£000)	1,196	1,416	2,421	2,093	319
Net Current Assets (£000)	1,526	1,396	912	731	365
Current Ratio	1.82	1.74	1.35	1.31	1.18
Debt (£000)	1,062	1,098	1,133	1,166	1,581

*2016/17 and 2017/18 are Group results. Previously, results are Adullam Homes Housing Association Limited only.

** 2013/14 to 2015/16 figures are as previously reported and have not been adjusted as a result of the prior period adjustment covered in note 27.

Financial Review – Income 2017/18

Adullam has two main areas of business:

1. Providing accommodation for vulnerable people
2. Providing support paid for under Supporting People contracts

The income for Adullam comes from Rent and Supporting People contracts. Overall the Association's income has increased by £1.3m when comparing 2016/17 to 2017/18 (as per the five-year highlights table). The Association secured new contractual work at Bolton for the start of the 2017/18 period. The Bolton Bridges project provides 72 bedspaces for homeless people over three sites in Bolton working with three landlords.

Ongoing austerity is continuing to put financial pressure on Supporting People contract prices. The Group only bids for work on a full cost recovery basis but some contracts have ceased during the year and others have had their value cut. In common with the rest of the supported housing sector Adullam is experiencing increasingly difficult trading conditions. Commissioners of support continue to have constraints in terms of funding for services. The deficit on ordinary activities for the year was £955,531 (the deficit for the year is after a surplus on asset disposals of £298,192).

Financial Review – Expenditure 2017/18

Management costs have increased severely compared to 2016/17 due to exceptional one-off nature cost items and a new data centre contract for the Association's computer servers. Being aware of the deteriorating financial circumstances the Board commissioned external consultants to bring clarity to the underlying reasons to enable planning on the way forward.

In the table above (#) the following exceptional or one-off figures are included: -

- Items of a one-off nature relating to **overheads** £393,000
- Exceptional items relating to prior year's **utility costs** £359,032

- Items of a one-off nature relating to **void properties** £250,000

As part of the Board's work planning forward, staffing costs were reviewed for 2018/19 and savings of circa £300,000 identified (mainly from central staffing). The Group's budget for the financial year ending 31 March 2019 indicates a surplus of £115,000.

The Board pro-actively notified the Regulator of the financial circumstances and presented a plan of action which was accepted and has been keeping the Regulator updated on progress.

As a direct response to the issue the Head of Finance and Director of Operations worked extensively on a new zero-based budget for 2018/19.

In the **overheads** non-recurring items include costs incurred within this year for interim finance staff and Consultancy and Barrister's fees for the VAT tribunal which was held in May 2017 (there was also an overrun on 2016/17 external audit fees and other auditor services provided within year).

There have been systems issues at a major utility supplier with which the group has a number of contracts. This has caused and is causing the Group considerable difficulties. In relation to properties owned and managed, The Group has identified **utility costs** in respect of the previous financial years in addition to normal costs for this reporting year. Previous years' costs (i.e. up to March 2017) are shown as exceptional costs in these financial statements of £359,032. British Gas are still resolving outstanding issues for the properties we do not own and manage, however, an accrual has been put through the accounts based on usage.

Void losses increased significantly compared to 2016/17, due to a lack of referrals for the dispersed properties in the Leicestershire area from Leicestershire County Council. Contemporaneously, following the non-retention of single homeless work in Cheshire, the Board had already approved the re-use of the Cheshire property stock for abstinence based substance recovery work for which there were pre-planned extended void periods and increased property repair works anticipated for 2017/18, as property was emptied, repaired and re-let.

The Group has been in dispute with HM Revenue and Customs in relation to matters which were considered by a VAT Tribunal in May 2017. The matters considered by the *Tribunal is of the treatment of recoverable input VAT in relation to property management costs*. Despite HM Courts and Tribunal Service recently (March 2018) indicating a resolution by the end of April 2018, the outcome is still not known. Due to the uncertainty of the outcome, a £540k creditor was included in the financial statements from 2014/15 onwards (within creditors (amounts falling due within one year)). The Group currently considers that if the Tribunal decision goes against Adullam, the most likely liability may be in the region of £220k. After seeking third party advice from the VAT consultant we have released £381k out of the provision into prior year reserves. Costs involved in the tribunal process have been written off as they have been incurred, primarily approx. £79k during 2017/18.

Disposals of Assets

As part of the Asset Management Strategy, the Group disposed of a small number of housing and office assets in the year which were surplus to requirements, of these properties it is worth noting the previous drug rehabilitation project at Manna Farm, Nottinghamshire was sold to the charity/managing agent as a continuation of their charitable work.

It is imperative that the Association maintains an ongoing active approach to Asset Management as work in various repairs ebbs and flows, so to maintain properties in the most effective and efficient locations.

Cashflow

The net cash used in operating activities during the year amounts to £1,054,075. Principal repayments have been made to the lenders in respect of outstanding loans.

Corporate Strategy

As a supported housing provider, the Association is focused around the needs of service users in addition to financial factors. The Association has chosen to work with vulnerable people and it is recognised that this will not necessarily be the most profitable or easy work to accomplish, but we see this as an outworking of the Christian ethos, which is expressed through our values and our mission.

Government's continuing austerity has brought about enormous pressure in the care sector, NHS services and supported housing with varying reductions in contract funding available to Adullam in a highly competitive market.

It had been recognised by the Board that the Association's long-term strategy would be well served in a partnership approach so to maintain and develop the work during these times of austerity. There has been thoughtful and careful decision making by the Board in this regard. There is ongoing dialogue with a kindred spirit with a complementary geography. There is a great deal of work being undertaken to assess this real opportunity with an expectation that Adullam will join their group structure in 2018/19.

Achievements

Association Wide

Despite the difficult trading conditions, the Association has continued to deliver excellent practical, positive results. In January 2017, the Association was again recognised as an Investor in People silver, an excellent achievement.

In April 2018, the Association was successfully reaccredited by The Governance Forum for the GAP Award (Governance Assessment Process), looking at Resources, Competency and Execution.

In March, the Association received the news about a new winning tender in Denbighshire, North Wales. This will provide much needed support and accommodation into this new area for the Association, and at the same time the submission for the existing contract work in Derbyshire with Framework has been successful with the new contract commencing in the Autumn of 2018.

North West

As previously mentioned the period has seen the successful implementation of the new Bolton Bridges contract. There are complexities working over three sites with different landlords providing homeless services to people. The Association has achieved this new contract implementation, provided a renewed focus on the needs of single homeless people and welcomed staff who had TUPE'd over from other previous providers.

During the year in Congleton there was a radical transformation from what had been the single homelessness services into abstinence based substance recovery work. The Association ended its long-term relationship with Plus Dane, serving notice on its Mill Lane, Macclesfield scheme. The restructuring caused a number of void properties; however, the longer-term benefits of securing this provision will be good for Adullam Congleton.

Sadly, in Wirral we lost the extremely successful floating support, which had been an extremely positive service, well run for several years. Staff transferred over to the incoming provider.

Midlands

In Leicester, the commissioning arrangements for ex-offender work has been challenging and complicated, but working through all of these matters the much-demanded high quality service is continuing to function well and serve people in the East Midlands.

In parallel to this Adullam re-secured a further three years funding from Children in Need for the work at Bethany in Leicester.

YMCA Birmingham have taken out a management agreement on the Park Avenue/Oak Bank (circa 30 properties) properties enabling the properties to continue to meet peoples' needs in the city. Much time and energy has been invested over the year to improve the services in Birmingham, led by Ged Riley, these have proved successful, resulting in lower turnover, lower voids, improving rent collection whilst providing much needed housing services and accommodation for the city.

In Leicestershire, a property was purchased by the Association in Oadby, in prior years, as a direct replacement for the property that was previously further leased. This enables the Association to focus fully on the delivery of young people leaving care in the Leicestershire County.

Contract extensions have also been received in areas such as Derbyshire, Bury (Greater Manchester) and St Helens (Merseyside) in year. Adullam hopes to build on these extensions by securing the longer term contractual future.

Value for Money (VFM)

The Regulator has initiated a new approach to Value for Money, from 1st April 2018, which is a new standard accompanied by a comprehensive code of practice. Adullam's Value for Money (VFM) performance will be measured against its own strategic VFM targets, its peer groups, and the set of regulatory metrics.

1.0 Background and Context to VFM for Adullam

Adullam's mission statement is: "Restoring hope and dignity". Adullam provides supported accommodation to young single homeless people, young people leaving care, those from offending backgrounds, vulnerable mothers and children, people recovering from drug and alcohol addiction, people living with enduring mental health issues and vulnerable families.

Adullam aims to help people to access safe, comfortable accommodation and support them to go on to lead independent lives. A key part of "Restoring hope and dignity" is assisting service users to improve their employability and find opportunities to gain work and work experience, particularly through social enterprise activities, therefore the regulatory metrics on cost per unit are not very relevant to the work of Adullam.

As a supported housing provider Adullam competes on quality and cost for the awarding of support contracts from various local authority and county council commissioners. Through various QAF returns the Association undertakes returns on the utilization of bedspaces and support hours provided. For the Association to thrive in this challenging environment it must constantly be aware of its cost base, the pricing of staff costs, property costs and those of its competitors. It has had to react quickly to changing geography, contract wins and losses and subsequent costs associated with winning and losing work and properties. The Association has had to contend with changing demand for its property stock to respond to various contact/commissioner requirements.

2.0 Provision of Support, Provision of Housing (Quantity and Quality) and Benchmarking

The Association provides support, sometimes this is ‘floating support’ not tied to particular properties, but most of the work is accommodation based support, where the provision of good quality housing and support services are key to successful outcomes with residents/service users. The Association in assessing the overall success of its work and the investment that is made, measures on an ongoing basis: -

- customer satisfaction for support
- customer satisfaction for accommodation

To assist with benchmarking, Adullam is a member of two benchmarking clubs, regularly assessing its own performance against its peers using Acuity and the Housemark definitions, illustrated by “Skills and Projects Benchmarking Peer Group (SPBM)” comparisons throughout this report.

Customer Satisfaction (proportion of tenants satisfied with the landlord’s services)

Measure STA001 SH	16/17: Adullam	SPBM Peer Group 16/17: Median
	%	%
Excellent/Good	96	89

As a Registered Provider the Association has to provide properties to minimum Decent Homes Standards (DHS) and has expectations around the delivery of its repairs and maintenance services which are monitored by senior staff and the Operations Committee.

3.0 Wise Use of the Association’s Assets – Key Value for Money Objective

The key strategic aspect of Adullam’s approach to value for money is hinged around using the Association support services and property assets wisely, where possible to generate a surplus to be re-invested and deliver in new or owned or managed properties which meet the target need.

3.1 Strategic Reviews of Assets - Opportunity Cost/Opportunity Benefit

Historically the properties being utilised as part of contract delivery, were developed with grant funding from the Regulator/local authorities and the Association’s own resources. With the government’s continuing approach to austerity and the subsequent impact upon local authorities grant funding, the commissioned work has been considerably ‘squeezed’ over a prolonged period (at least 10 years). There are strategic commercial decisions that the Association takes to retain property stock in certain geographies even when commissioned support work is lost. This is deliberately undertaken to provide for an unmet need and/or to diversify its income streams as well as seeking out new opportunities to regain supported housing work in the area. These can be seen as opportunity cost and opportunity benefit matters.

At the end of 2017 financial year following the non-retention of single homeless work in Cheshire the Board approved the recommendation to re-use the property stock for abstinence based substance recovery work, there were pre-planned extended void periods and increased property repair works anticipated for 2017/18, as property was emptied, repaired and re-let. The timing of re-letting property was longer than originally anticipated, with properties coming empty earlier than first anticipated, coupled with the fact that people coming through the 12-week substance recovery work at the core property then had a time lag to move into the dispersed properties. This has been a year where the Association has had to bear significant exceptional costs, the opportunity benefit is that the Association has retained a core highly skilled staff team with circa 50 properties which are available for supported housing use. These could have all been sold/disposed of and capital reinvested but the opportunity benefit of undertaking the substance recovery work and retaining the properties far outweighed the opportunity cost.

In year the Association weighed up the strategic value of retaining or disposing 6 No. former move on units at Willows Court, Trafford and approved their disposal.

Also in 2017/18, the Association maintained this strategic approach and following a lack of referrals for dispersed move on properties and approved the disposal of all six. The Association is currently marketing the three current void properties in Leicestershire, with a further three properties being marketed as they come up for re-letting. Other disposals of property have included the former regional office in Merseyside and a dispersed property in Sandwell that was previously part of the Mortgage Reserve Scheme but is no longer demanded following the death of the tenant.

In Merseyside the Association still owns the Princes Project, a property formerly used for young single homeless needs and more latterly ex-offender provision. After the commissioned support work was lost at tender, the Association has sought alternative uses of the project, but doesn't wish to dispose of it as it gives a strategic presence to re-establish the Association in Merseyside when relevant future tendering opportunities occur. Currently the property is secured with minimal running costs.

3.2 Impairment Review – Are we Wasting Resources?

As part of preparation for the end of each financial year an impairment review is undertaken on Association properties to assess 'carrying value'. The outcome of the impairment review at the end of March 2018 confirmed that the Association has no impaired assets. Void properties are regularly monitored to ensure they are repaired economically, efficiently and effectively and re-let at the earliest opportunity. A review of void properties and any ones that are not being successfully re-let triggers a wider review to assess the properties usefulness to the Association going forward.

Void Losses

Measures HMSH 30	Adullam: 17/18	16/17: Adullam	SPBM Peer Group 16/17: Median
Void Loss	7.01%	8.29%	3.18%

4.0 Future Sustainability of the Association

The Board in reviewing key strategic matters and alternative delivery methods this year has been focused on the long-term sustainability of the work given continuing austerity and local government cut backs.

A strategic decision was taken in February 2018 for Adullam to pursue the opportunity of becoming a subsidiary of a charitable/housing group, so to benefit from increased economies of scale and secured services.

At the time of writing this statement the business plan and objectives for the Group are being formulated. Once complete they will form part of the business plan targets for the Association and to be addressed in future value for money objectives.

5.0 Addressing Underperformance

In parallel to the work of integration with the charitable/housing group, the challenges and changes of 2017/18 have left the Association seeking to increase its income collection, reduce its void properties and reduce its staff turnover. Much of this challenge is hinged around Adullam continuing to provide supported housing at a time of vacuum in government policy (awaiting the government proposals for future funding, for short term supported housing).

Board Report incorporating the Strategic Report

The zero-based budgeting and clarity around the performances of projects will yield improvements in value for money for the Association. The exceptional one-off costs experienced around the high number of Congleton, Cheshire void properties will not be repeated. The VFM actions that have been taken in year have been focused around: -

- Reducing voids and related repairs
- Reducing the cost base of the Association
- Reducing Arrears
- Disposing of surplus assets

6.0 Regulatory Metrics

The Regulator of Social Housing has introduced a set of metrics against which all Registered Providers, regardless of their size and nature of business delivery, are required to report. The results from these metrics are shown below.

Notes to the regulatory metrics

- 1 The regulatory metrics on cost per unit are not very relevant to the supported housing work of Adullam as a specialist supported housing provider.
- 2 To give a true comparison for the year there is a need to remove the exceptional one-off costs (refer to the five-year highlights)
- 3 As a specialist supported housing provider, the Association's level of provision is not dependent upon new supply delivered.
- 4 The Association's low levels of debt are less than its cash at bank balances.
- 5 The Association has had a very challenging environment in which to contend with changing demand to respond to various contract/commissioner requirements. Further details are discussed in the Financial Review Section of this report.

Regulatory Metrics

Metric No.	Metric Title	Adullam Homes: results from Statutory Financial Statements	
		16/17	17/18
1	Reinvestment %	0.4%	0.1%
2A	New supply delivered %	0.0%	0.0%
2B	New supply delivered %	0.0%	0.0%
3	Gearing %	(1.3%)	(0.6%)
4	Earnings pre-interest, tax, depreciation, amortisation; major repairs included; interest cover*	(1.7%)	(16%)
5	Headline Social Housing Cost per Unit (excluding support and care costs)	£5,685	£6,630
6A	Operating Margin (social housing lettings) %*	(3.5%)	(12.4%)
6B	Operating Margin (overall) %*	(3.9%)	(11.5%)
7	Return on Capital Employed	(1.2%)	(4.0%)

* The ratio for 2017/18 excludes the exceptional costs of £359k explained on page 5.

Risk Management

Key risks and their management and mitigation are set out below:

Key risks	Management and Mitigation
1. The group's financial situation: including retention of contracts and collection of related income.	Improvements in financial reporting, tender processes, arrears monitoring and reporting.
2. Strategic direction:	Pursuance of a potential partnership where it believes there to be real synergy with Adullam's culture and a real people focus, which would offer a number of considerable advantages. The enlarged future Group would allow greater choice for the people supported and a greater career path for staff, also a national voice on matters of policy and social justice is being sought, all of which would be beneficial to Adullam.
3. Asset management: including property void costs.	Improvements in monitoring to ensure properties are repaired economically, efficiently and effectively and re-let at the earliest opportunity. A review of void properties and any that are not being successfully re-let triggers a wider review to assess the properties' usefulness to the Group going forward and disposal if necessary.
4. Staffing: in challenging periods, turnover inevitably increases in response to uncertainty.	Improvements in communications planning, staff involvement, and progression on longer terms options for growth of the Association.
5. Government Policy: the vacuum in the current government proposals for future funding, for short term supported housing.	The Group is actively involved in working groups, responding to consultations, and exploring funding mechanisms to assess government modelling for future possible funding options.

Rent Policy

Rents and service charges are set for all of our properties as part of our annual budget setting exercise as well as ensuring compliance with the Government's rent formula and other regulations. Service charges are set at affordable levels and ensure full cost recovery.

Treasury Management Policy

The Group has a Treasury Management Policy which sets out the parameters and controls for treasury activities. It has been compiled using the CIPFA Code of Practice for Treasury Management in Public Services. The policy is reviewed annually by the Board.

Internal Controls

Although, the SORP does not require a statement of internal control to be included within the annual report, it is considered good practice. The Board of Adullam is responsible for the Association's system of internal controls and for reviewing its effectiveness, and therefore demands a strong control environment. The Board, however, recognises that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control and the management of risk that is appropriate to the business environment in which Adullam operates. The processes used to maintain and review the effectiveness of the system of internal control include the following:

- A control environment which is based upon an organisation structure with clearly defined levels of responsibility and authority, supported by documented controls and procedures appropriate to the specific areas concerned.
- Financial monitoring procedures which require the Board to approve the annual budget, review monthly performance and balance sheets, and receive explanations from management on significant variances.
- A risk management process in which senior staff confirm the nature and extent of the significant risks facing their areas of responsibility and the likelihood of them materialising, with the controls in place to manage such risks.

The risk focused approach of internal audit plays an important role in providing independent assurance to management, the Finance, Audit & Risk Management Committee and ultimately the Board on key control processes.

The Finance, Audit & Risk Management Committee reviews internal audit plans and reports, together with external audit plans, management letters, and regularly reports to the Board. The Board is satisfied that there is sufficient evidence that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an ongoing process for the management of the significant risks facing the Association. The Finance Audit and Risk Management Committee oversee and ensure that the recommendations arising from audit are reviewed, implemented and actioned.

Adullam also has its own internal performance management arrangements which, at the most strategic level, results in the production of regular quarterly key performance management indicators on a balanced score card approach.

Code of Governance and Regulatory Standards – Statement of Compliance

We recognise that an open, well informed and diligent Board is an important part of effective risk management, governance and internal control. The Association is regulated by the Regulator of Social Housing (previously the Homes and Communities Agency).

Each year we undertake a detailed analysis of the extent that we comply with our adopted code of governance, the NHF Code of Governance, in order to make sure our Board continues to function in line with best practice. The Association seeks to comply fully with the NHF (2015) Code of Governance; with the introduction of the new General Data Protection Regulations (GDPR) on the 25th May 2018, the Association has introduced a revised Data Protection Policy (Incorporating GDPR) with an active action plan, hence the Association is not fully compliant due to this work in progress.

We recognise our responsibilities as a Board to demonstrate to stakeholders and the Regulator that the Association is a going concern and fully complies with the Governance and Financial Viability Standard. Despite best endeavours, the Association has had to deal with exceptional financial circumstances in year, much of which were non-recurrent items.

Board Report incorporating the Strategic Report

At the end of September 2017, measures were put in place to manage the situation, prioritise the exceptional items and the Board of the Association pro-actively notified the Regulator. Following constructive dialogue and a meeting with the Regulator; a plan of action was agreed and this has resulted in positive forward momentum. The Association has continued to update the Regulator as it progresses.

Board of Management

The Board of Management has ultimate responsibility for the Association. Its role is to lead, direct, control, scrutinise and evaluate the Association's work. This includes determining strategic direction and key policies, establishing and overseeing control and risk management frameworks, satisfying itself on the integrity of financial information and ensuring that the organisation achieves its aims and objectives.

The Board remains accountable for all of its functions; even those delegated to the Chair, Committees, individual directors or senior staff, and therefore must receive information about the exercise of delegated functions to enable it to maintain an effective governing body role. As Adullam has a subsidiary company, (Adullam Social Enterprises CIC) the parent Board of Adullam exercises control and oversight of the governance and operations of their activities too.

Board Member	Term	Committee Membership
Chris Green (Chair)	2014	Chair from 14 th May 2018
Ian Heath	2016	
Jane Newsome	2017	
Stephen Philpott	2016	Operations Committee (Chair)
Tony Price	2017	Finance, Audit and Risk Management Committee (Chair)
Julia Regis	2013	Finance, Audit and Risk Management Committee (Member) and Remuneration & Nominations Committee (Chair)
Kelly Sotherton	2015	Operations Committee (Member)
Peter Walton	2016	Remuneration & Nominations Committee (Member)
Helen Woodall	2009	Operations Committee (Member)
Andrew Cooke	2018	Finance, Audit and Risk Management Committee (Member)

The Board has delegated authority to the following three committees that operated during the year. Each has comprehensive terms of reference, which is regularly reviewed by Board. These were **Finance, Audit and Risk Management (FARM) Committee; Operations Committee** and **Remuneration and Nominations Committee**. They provide detailed reports on required areas, reporting back to Board on a regular basis.

The Remuneration and Nominations Committees role includes consideration of applications to membership of the Board, Committees and subsidiary Boards.

Board Report incorporating the Strategic Report

Board Attendance - 2017 to 2018

Name of Board Member	Attended	Percentage of Meetings Attended	Comments
Chris Green	8/9	89%	
Ian Heath	4/9	44%	Illness in year affected attendance.
Jane Newsome	3/6	50%	Known commitments to overseas charity work.
Stephen Philpott	7/9	78%	
Tony Price	5/7	71%	
Julia Regis	4/9	44%	Extended compassionate leave.
Derek Seedhouse	9/9	100%	
Kelly Sotherton	6/9	67%	Overseas work commitments impacted Board attendance.
Peter Walton	9/9	100%	
Helen Woodall	7/9	78%	

As part of our commitment to good governance, there are independent members on the following Committees:

Committee Member	Committee
Alastair Baillie	Operations Committee
Colin Crabtree	Operations Committee

We would like to thank Board and Committee Members, staff, volunteers and supporters, contractors, partners and "Friends of Adullam" for their hard work and support throughout this year. Their dedication has enabled us to continue to deliver our mission.

At 14th May 2018, the Chair (Derek Seedhouse) retired, we do thank him for his leadership during his tenure and wish him well. Chris Green, who was Vice Chair, has become the Chair from 14th May 2018.

The Association has a *recruitment and selection policy* for new Board members and is committed to succession planning and maintaining a refreshment of Board Members. As part of good governance, the Association maintains a skill gap analysis and recruits on the basis of required skills and expertise.

Tony Price and Jane Newsome had been observing the Board prior to being co-opted from 1st January 2017. Andrew Cooke has joined the Board and FARM committee from 31st May 2018 and a further new candidate for Board is undertaking the same process, observing the Board with a view to co-option in due course.

Helen Woodall will be stepping down from the Board at the September 2018 AGM at the end of her third term of Board Membership. During her tenure she has been a previous long-standing Chair of the Operations Committee. Stephen Philpott has during the year taken over as Chair of the Operations Committee, following a handover period. We do take this opportunity to thank Helen for her work during her tenure and wish her the very best as she leaves the Association.

Board Report incorporating the Strategic Report

Public Benefit Entity

As a public benefit entity, Adullam has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Information for Auditors

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make them aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Board Report incorporating the Strategic Report

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

By Order of the Board:

Signed: Levor Pufeyma
Secretary

Date: 18th September 2018

Statement of the Board's Responsibilities in Respect of the Accounts

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of the income and expenditure for the period of account.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Society (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and the Group and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of corporate and financial information included on the Group's website www.adullam.org.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADULLAM HOMES HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Adullam Homes Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Statements of Financial Position, the Consolidated and Association Statements of Changes in Reserves, Consolidated Statement of Cashflows 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2018 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; 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's responsibilities statement set out on page 16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Keith Ward.

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of 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 Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK Audit LLP

Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

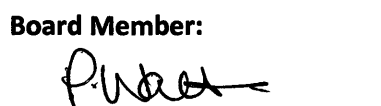
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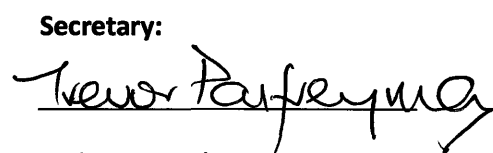
Statements of Comprehensive income

	Notes	Group		Association	
		31 March 2018 £	31 March 2017 Restated £	31 March 2018 £	31 March 2017 Restated £
Turnover	2	9,836,568	8,507,908	9,691,259	8,375,270
Operating expenditure	2	(11,034,050)	(8,799,791)	(10,888,861)	(8,670,371)
Operating (deficit)/surplus		(1,197,482)	(291,883)	(1,197,602)	(295,101)
Gain on Disposal of properties	7	298,192	37,493	298,192	37,493
Interest Receivable		6,842	7,696	6,842	7,696
Interest and financing costs	4	(63,083)	(57,147)	(63,083)	(57,147)
Total Comprehensive (expense)/income for the year		(955,531)	(303,841)	(955,651)	(307,059)

The financial statements on pages 19 to 47 were approved and authorised for issue by the Board on 18 SEPTEMBER 2018 and were signed on its behalf by:

Chair: 

Board Member: 

Secretary: 

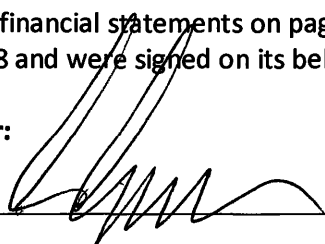
The results relate wholly to continuing activities and the principal accounting policies and notes on pages 24 to 47 form an integral part of these accounts.

Statements of Financial Position

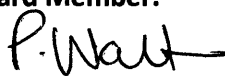
	Notes	Group		Association	
		31 March 2018 £	31 March 2017 Restated £	31 March 2018 £	31 March 2017 Restated £
Fixed Assets					
Intangible assets	11	42,963	89,865	42,963	89,865
Tangible fixed assets	12	19,523,605	20,512,537	19,523,605	20,512,537
Total		19,566,568	20,602,402	19,566,568	20,602,402
Current Assets					
Debtors	13	1,919,978	1,355,570	1,899,283	1,355,553
Property held for sale	14	273,474	516,212	273,474	516,212
Cash and cash equivalents		1,195,793	1,416,227	1,184,235	1,416,227
		3,389,245	3,288,009	3,356,992	3,287,992
Less: Creditors: amounts falling due within one year	16	1,862,884	1,892,054	1,833,968	1,895,254
Net current assets		1,526,361	1,395,955	1,523,024	1,392,738
Total assets less current liabilities		21,092,929	21,998,357	21,089,592	21,995,140
Creditors: amounts falling due after more than one year	17	1,716,570	1,175,350	1,716,570	1,175,350
Deferred capital grant	20	11,895,365	12,386,482	11,895,365	12,386,482
Total net assets		7,480,994	8,436,525	7,477,657	8,433,308
Reserves					
Non-equity share capital	22	18	18	18	18
Income and expenditure reserve		7,301,972	8,330,878	7,298,635	8,327,661
Restricted reserves		179,004	105,629	179,004	105,629
Total reserves		7,480,994	8,436,525	7,477,657	8,433,308

The financial statements on pages 19 to 47 were approved and authorised for issue by the Board on 18 SEPTEMBER 2018 and were signed on its behalf by:

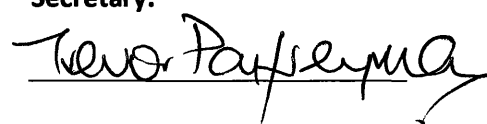
Chair:



Board Member:



Secretary:



The principal accounting policies and notes on pages 24 to 47 form an integral part of these accounts.

Consolidated Statement of Changes in Reserves

	Non equity share capital	Income and Expenditure Reserve Restated	Restricted Reserves	Total Restated
	£	£	£	£
Balance as at 1st April 2016	18	8,633,199	107,149	8,740,366
Deficit from Statement of Comprehensive Income	-	(303,841)	-	(303,841)
Transfer to restricted expenditure from Income and Expenditure reserve	-	1,520	(1,520)	-
Balance as at 31st March 2017	18	8,330,878	105,629	8,436,525
Deficit from Statement of Comprehensive Income	-	(955,531)	-	(955,531)
Transfer to restricted income from Income and Expenditure reserve	-	(73,375)	73,375	-
Balance as at 31st March 2018	18	7,301,972	179,004	7,480,994

The principal accounting policies and notes on pages 24 to 47 form an integral part of these accounts.

Association Statement of Changes in Reserves

	Non equity share capital	Income and Expenditure Reserve Restated	Restricted Reserves	Total Restated
	£	£	£	£
Balance as at 1st April 2016	18	8,633,200	107,149	8,740,367
Deficit from Statement of Comprehensive Income	-	(307,059)	-	(307,059)
Transfer to restricted expenditure from Income and Expenditure reserve	-	1,520	(1,520)	-
Balance as at 31st March 2017	18	8,327,661	105,629	8,433,308
Deficit from Statement of Comprehensive Income	-	(955,651)	-	(955,651)
Transfer to restricted income from Income and Expenditure reserve	-	(73,375)	73,375	-
Balance as at 31st March 2018	18	7,298,635	179,004	7,477,657

The principal accounting policies and notes on pages 24 to 47 form an integral part of these accounts.

Consolidated Statement of Cashflows

	Notes	31 March 2018 £	31 March 2017 £
Net cash used in operating activities		(1,054,075)	(707,072)
Cashflow from investing activities			
Purchase of tangible fixed assets / intangible assets	11/12	(35,711)	(384,195)
Proceeds from sale of tangible fixed assets		962,000	170,329
Interest received		6,842	7,696
Cashflow from financing activities			
Interest paid	4	(63,083)	(57,147)
Repayment of borrowings		(36,407)	(34,760)
Net change in cash and cash equivalents		(220,434)	(1,005,149)
Cash and cash equivalents at the beginning of the year		1,416,227	2,421,376
Cash and cash equivalents at the end of the year		1,195,793	1,416,227
		31 March 2018 £	31 March 2017 Restated £
Note 1			
Cashflow from operating activities			
Deficit for the year		(955,531)	(303,841)
Adjustments for non-cash items			
Depreciation, amortization and scrappage of tangible and intangible fixed assets	11/12	371,089	375,374
Amortization of capital grant	20	(179,105)	(236,514)
Grant amortization written back on disposal		209,318	-
Interest payable		63,083	57,147
Interest received		(6,842)	(7,696)
Movement on restricted funds		(73,375)	-
Gain on disposal of property plant and equipment	7	(298,192)	(37,493)
Operating cash flow before movements in working capital		(869,555)	(153,023)
Increase in debtors		(42,410)	(206,405)
Increase/(decrease) in creditors		100,628	(347,644)
Increase in property held for sale		(242,738)	-
Net cash used in operating activities		(1,054,075)	(707,072)

The principal accounting policies and notes on pages 24 to 47 form an integral part of these accounts.

Principal Accounting Policies

Legal Status

Adullam Homes Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is Walter Moore House, 34 Dudley Street, West Bromwich B70 9LS.

The principal activity of the group is that of housing support to individuals from vulnerable backgrounds.

Basis of Accounting

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. As a public benefit entity, Adullam has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

These 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. The accounts are prepared on the historical cost basis of accounting. Housing properties are stated at cost. The Association does not own any assets classified as financial instruments that require periodic revaluation. Therefore, no modification to the historic cost basis of accounting has been necessary. The financial statements are presented in pounds sterling and are rounded to the nearest pound except Note 24, which is expressed in round thousands of pounds.

Basis of Consolidation

A wholly owned subsidiary; Adullam Social Enterprises Community Interest Company 'CIC' was incorporated on and commenced operations on 2 April 2016. The Association has therefore prepared consolidated financial statements for the years ended 31 March 2017 and 2018.

The consolidated financial statements incorporate those of Adullam Homes Housing Association Limited and its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies to as to obtain economic benefit). All financial statements are made up to 31 March 2018.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Reduced disclosures

In accordance with FRS 102, the Association has taken advantage of the exemptions from the following disclosure requirement in the individual financial statements of Adullam Homes Housing Association Limited;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches; and details of hedges and hedging fair value changes recognised in profit or loss and in other comprehensive income.

Principal Accounting Policies

Going Concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future, based on budgeting and cash flow forecasting for 2018/19 and the first half of 2019/20. There has been no breach in loan covenants and it has been concluded that there is no imminent or likely future breach in borrowing covenants.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and other income and is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised in line with the contractual arrangements.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Taxation

The Association has charitable status for taxation purposes and no liability to corporation tax arises on its results for the year. The subsidiary company is subject to corporation tax in the same way as any commercial organization.

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Principal Accounting Policies

Value Added Tax

VAT is charged at the rate of 20% mainly in relation to Supporting People contract income. The majority of the Group's income is rent and service charges, which are both exempt for VAT purposes. As a result, the Group is partially exempt and recovers VAT under a standard partial exemption method.

Intangible fixed assets

Intangible fixed assets comprise capital investment in computer software. Intangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided at rates calculated to write off the cost to its estimated residual value on a straight line basis over its expected useful life, as follows:

	Years
Software	5

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	Years
Heating	20
Kitchens	20
Bathroom	30
Roofs	60
Windows	30
Structure	120

The Group depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
Freehold offices	50
Furniture and equipment	10
Office equipment	5

Principal Accounting Policies

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset.

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Property managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group. In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

Leasing and hire purchase

Annual rentals on operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Stock and properties held for sale

The Group does not hold any significant stocks of materials. Properties which have been identified for sale and are in a state in which a sale could proceed as at the year-end are recorded as a current asset.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure and components (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Social Housing and other government grants

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is recorded as a subordinated unsecured repayable debt.

Principal Accounting Policies

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

Asset Disposals

Asset disposals are recognised upon the unconditional exchange of contracts relating to the disposal.

Employee benefits

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

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The cost of providing pensions and related benefits is charged to management costs over the periods benefiting from the employees' services. All pension arrangements in which the Group participates are defined contribution schemes.

Reserves

The Association carries two types of reserves;

- a) Restricted reserve and
- b) Unrestricted reserves

Restricted Reserves

The following restricted reserves are held as follows:

i. Welfare Fund

This reserve is for funds that have been donated to the Group with an explicit requirement from the donor on their use. They are for the benefit of the residents within projects or staff and are not to support the day to day operational costs of the Group.

ii. Donated Land

This reserve relates to land transferred to the Group from the Adullam Homes Trust (UK) Limited, when the Trust severed its links with the Group and changed its name to the 'Set Me Free Trust'. The Trust donated the land to the Group as it did not wish to have any future obligation to land holding. The land is stated at valuation at the date of transfer. The land concerned is part of the Association's investment in Manna Farm, Calverton, and Nottinghamshire. The property was purchased by Adullam in 1991, in order to support service users recovering from substance abuse. When the work was decommissioned by Nottingham Health Authority, the work was taken on by Betel of Britain who operated the site under a management agreement. The freehold sale to Betel of Britain was completed on 28th July 2017. As a result of the realisation of this reserve it has been transferred to unrestricted reserves.

Reserves

The total unrestricted reserve is represented by the income and expenditure reserve shown in the financial statements. As at 31 March 2018 this amounted to £7,301,972 (31 March 2017 Restated: £8,330,878). This balance is accumulated net surplus that Adullam Homes HA has generated since its formation in July 1972.

As a housing association group owning a portfolio of properties, most of the surplus generated has been re-invested into maintaining its property stock.

The Group has a reserves policy which is renewed annually. The policy identifies the Group unrestricted, unencumbered cash backed reserves as equivalent to the net current assets of the Group.

Principal Accounting Policies

As at 31 March 2018 this amounted to £1,526,361 (31 March 2017 Restated: £1,395,955).

This policy aims to build unrestricted, unencumbered cash backed reserves up to sum representing three months' expenditure plus a buffer of 10%. This would currently amount to approximately £ 2,600,000 (31 March 2017: £2,750,000).

The policy is read in conjunction with the Association Treasury Management policy, which stipulated a minimum cash holding of £1,000,000.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Such debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income and expenditure for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Comprehensive Income.

Financial liabilities

Creditors

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Financial Statements

1. Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

- a) **Utility Costs and Creditors.** There have been major systems issues at a major utility supplier with which the group has a number of contracts. This has caused and is causing the Group considerable difficulties.
- i. In relation to properties owned and managed, The Group has identified utility costs in respect of the previous financial years in addition to normal costs for this reporting year. Previous years' costs (i.e. up to March 2017) are shown as exceptional costs in these financial statements of £359,032 (see Note 2).
 - ii. However, the Group has been provided with insufficient information to identify and apportion costs for properties no longer owned or managed. Accruals at March 2018 (£111,816) have been based on pro-rated calculations up to the end of ownership. On the other hand, it is possible that the Group may receive refunds in respect of properties incorrectly billed (no refunds have been accrued in the financial statements).
- b) **VAT.** The Group has been in dispute with HM Revenue and Customs in relation to matters which were considered by a VAT Tribunal in May 2017. The matters considered by the *Tribunal is of the treatment of recoverable input VAT in relation to property management costs*. Despite HM Courts and Tribunal Service recently (March 2018) indicating a resolution by the end of April 2018, the outcome is still not known. Due to the uncertainty of the outcome, a £540k creditor was included in the financial statements from 2014/15 onwards (within creditors (amounts falling due within one year)). The Group currently considers that if the Tribunal decision goes against Adullam, the most likely liability may be in the region of £220k. After seeking third party advice from the VAT consultant we have released £381k out of the provision into prior year reserves. Costs involved in the tribunal process have been written off as they have been incurred, primarily approx. £79k during 2017/18.

Other key sources of estimation and assumptions:

- a) **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Notes to the Financial Statements

2. Turnover and operating expenditure

	2017	Group 2017 Restated	2018	2017	Association 2017 Restated	2018
Income						
Rent receivable	2,003,027	2,003,027	2,412,575	2,003,027	2,003,027	2,412,575
Service charges	2,265,205	2,265,205	3,257,648	2,265,205	2,265,205	3,257,648
Charges for support services/Supporting people	107,827	2,560,057	2,843,136	107,827	2,560,057	2,843,136
Revenue grants	1,171,160	1,171,160	672,711	1,171,160	1,171,160	672,711
Amortised Government grants	236,514	236,514	179,105	236,514	236,514	179,105
Turnover from social housing lettings	5,783,733	8,235,963	9,365,175	5,783,733	8,235,963	9,365,175
Expenditure						
Service costs	2,174,939	2,192,644	2,653,649	2,174,939	2,192,644	2,653,649
Management costs	934,428	942,034	2,070,989	934,428	942,034	2,070,989
Care and support costs	1,263,248	3,801,743	3,745,697	1,263,248	3,801,743	3,745,697
Routine Maintenance	536,556	536,556	798,966	536,556	536,556	798,966
Bad debts	226,171	226,171	93,840	226,171	226,171	93,840
Lease charges	452,235	452,235	819,934	452,235	452,235	819,934
Depreciation of housing furnishings and amortisation of software	77,554	77,554	49,554	77,554	77,554	49,554
Depreciation of housing properties	297,809	297,809	297,200	297,809	297,809	297,200
* Exceptional item	-	-	359,032	-	-	359,032
Expenditure on social housing lettings	5,962,940	8,526,746	10,888,861	5,962,940	8,526,746	10,888,861
Operating (deficit)/surplus on lettings activities	(179,207)	(290,783)	(1,523,686)	(179,207)	(290,783)	(1,523,686)
Void losses	464,939	464,939	678,516	464,939	464,939	678,516

* Exceptional item relates to utility costs for prior years (see note 1 on page 30)

The comparative (16/17) figures have been re-stated as explained on pages 32 and 47.

Notes to the Financial Statements

2. Turnover and operating expenditure – (Continued)

Group	2018 Turnover £	2018 Operating Costs £	2018 (Deficit)/Surplus £	2017 (Deficit)/Surplus £ Restated
Letting	9,365,175	(10,888,861)	(1,523,686)	(290,783)
Other	471,393	(145,189)	326,204	(1,100)
	9,836,568	(11,034,050)	(1,197,482)	(291,883)
Association				
Letting	9,365,175	(10,888,861)	(1,523,686)	(290,783)
Other	326,084	-	326,084	(4,318)
	9,691,259	(10,888,861)	(1,197,602)	(295,101)

Note that all Supporting People income is now included within Social Housing Activities for prior year. This restatement has resulted in support income of £2,452,230 for both the Group and Association, and support costs of £2,528,212 for both Group and Association being reclassified and reflected within social housing lettings. This has increased the 2017 operating loss on social housing lettings from £179,207 (as previously reported) to £255,189. This is considered to more closely reflect the nature of the Group's Supporting People activities.

3. Accommodation in Management

Group and Association

Social Housing in Management at end of year:

	2018 No. of Properties	2017 No. of Properties
Owned and managed	389	386
Managed on behalf of others	188	124
Total	577	510
Supported Housing	570	503
General Needs Housing	7	7
Total	577	510
Managed by others	52	72

Notes to the Financial Statements

4. Interest and financing costs

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
On loans wholly or partly repayable in more than five years	55,499	57,147	55,499	57,147
On late payment of supplier invoices	7,584	-	7,584	-
	63,083	57,147	63,083	57,147

5. Operating Deficit

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
The operating deficit is stated after charging:				
Auditor's remuneration (excluding VAT)				
Audit of the Group's financial Statements	28,750	54,548	28,750	54,548
Auditor's remuneration over runs total for 16/17*	53,725	-	53,725	-
Fees payable to the group's auditor and its associates for non-audit services to the Association	19,160	11,000	19,160	11,000
Operating lease rentals	819,934	625,806	819,934	625,806
Depreciation and amortisation:				
Depreciation of housing properties	297,200	297,820	297,200	297,820
Depreciation of other fixed assets	26,987	28,494	26,987	28,494
Amortisation of intangible assets	23,848	49,060	23,848	49,060

* £53,725 represents the unaccrued 2016/17 audit fee (£40,112) and unaccrued accountancy fee for assistance with preparation of 2016/17 financial statements of £13,613, excluding VAT, payable to RSM Tax and Accounting Limited. The total 2016/17 audit fee including VAT was £61,810.

6. Taxation

The Association has charitable status for taxation purposes and no liability to corporation tax arises on its results for the year.

Adullam Social Enterprises C.I.C corporation tax charge was £643 in 2018, which was in relation to the prior year (2017: Nil)

7. Surplus on disposal of housing properties

	2018 £	2017 £
Group and Association		
Disposal proceeds	1,484,000	168,645
Carrying value of fixed assets	(1,185,808)	(131,152)
	298,192	37,493
Grants released on disposal (note 19)	(579,377)	(113,463)

8. Directors' Remuneration

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
The aggregate emoluments paid to or receivable by executive Directors	212,398	212,548	212,398	212,548
Contributions to money purchase pension schemes	9,314	11,866	9,314	11,866
The emoluments paid to the highest paid Director	80,896	77,500	80,896	77,500
Pension contributions to money purchase schemes in respect of the highest paid director	4,063	4,052	4,063	4,052

Notes to the Financial Statements

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team.

Emoluments paid in the year to non-executive Directors or former non-executive Directors were £29,187 (2017: £7,488).

During the year Board members received reimbursed expenses of £1,388 (2017: £1,680).

Notes to the Financial Statements

9. Employee Information

Group and Association

The average number of persons employed during the year expressed in full time equivalents (37.5 hours per week) was:	2018 No.	2017 No.
Housing and support services	144	134
Central administration services	35	34
Total	179	168
	£	£
Wages and Salaries	4,304,301	4,077,634
Social security costs	355,205	331,498
Pension and other costs	135,328	145,996
Redundancy and severance	41,415	166,150
Total	4,836,249	4,721,278
	2018 No.	2017 No.
Aggregate number of FTE's whose remuneration exceeded £60,000:		
£60,001 - £70,000	1	2
£70,001 - £80,000	1	1
£80,001 - £90,000	1	-

10. Pension Obligations

The Group operates a defined contribution pension scheme which targets a guaranteed basic sum, evaluated on contributions up to the year of retirement. The assets of the scheme are held separately from those of the Group, in trustee administered funds. Contributions to the scheme are charged to the Statement of Comprehensive Income in the period to which they relate. Separate to the Pension Scheme, there is also a death in service insurance scheme. The scheme provides benefits equal to four times an employee's final salary.

An amount of £13,798 was payable to the fund at the year end and is included in creditors payable within one year (2017: £53,185).

The Chief Executive is an ordinary member of the pension scheme. No special terms apply. The Association does not contribute to any other pension arrangement for the Chief Executive.

11. Intangible assets

Group and Association

	£
Cost	
At 1 April 2017	354,401
Additions	-
Disposals	(24,336)
 At 31 March 2018	 330,065
Amortisation	
At 1 April 2017	264,536
Charge for the year	23,848
Disposals	(1,282)
 At 31 March 2018	 287,102
Net Book Value	
At 31 March 2018	42,963
 At 31 March 2017	 89,865

Notes to the Financial Statements

12. Tangible Fixed Assets

Group and Association

	Social Housing properties for Letting	Freehold offices	Furniture and Office equipment	Total Tangible Assets
	£	£	£	£
Cost				
At start of year	24,282,733	1,052,135	521,715	25,856,583
Additions	30,392	-	5,319	35,711
Disposals	(477,401)	-	-	(477,401)
Transfer to property held for sale	(298,002)	-	-	(298,002)
At the end of the year	23,537,722	1,052,135	527,034	25,116,891
Depreciation				
At start of year	4,674,398	166,177	503,471	5,344,046
Charge for the year	297,200	21,042	5,945	324,187
Eliminated on disposals	(50,419)	-	-	(50,419)
Transfer to property held for sale	(24,528)	-	-	(24,528)
At end of the year	4,896,651	187,219	509,416	5,593,286
Net book value at 31st March 2018	18,641,071	864,916	17,618	19,523,605
Net book value at 31st March 2017	19,608,335	885,958	18,244	20,512,537

All additions to Social Housing properties held for letting relate to capitalised expenditure on components. During the year replacements were made to heating systems, kitchens, bathrooms and windows.

The net book value of freehold land and buildings at 31st March 2018 was £18,249,951 (2017: £18,726,228) and £391,120 (2017: £882,107) in respect of long leasehold land and buildings.

Notes to the Financial Statements

13. Debtors

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Rent arrears	757,773	627,903	757,773	627,903
Provision for bad debts	(429,133)	(340,586)	(429,133)	(340,586)
Trade debtors	826,630	293,114	773,844	293,114
Prepayments and accrued income	230,785	527,828	220,005	527,828
Other debtors	533,925	247,311	533,925	247,294
Amounts owed by group undertakings	-	-	42,869	-
Total debtors (all due within one year)	1,919,980	1,355,570	1,899,283	1,355,553

The above note has been restated in order to give more detailed analysis. The 2017 figures before restatement were rent arrears £674,343 for the Group and £674,326 for the Association. Bad debt provision of £360,385 and prepayments and accrued income of £1,041,612 for the Group and the Association.

14. Property held for sale

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Property held for sale	273,474	516,212	273,474	516,212

Properties held for sale are no longer being used for service delivery.

Surpluses (or deficits) on disposal in respect of 2017 items noted above are included within surplus on disposal of housing properties (see Note 7).

Notes to the Financial Statements

15. Investments

The Association's subsidiary undertaking Adullam Social Enterprises C.I.C and Adullam Restorative Practices C.I.C are owned through virtue of control. Adullam Social Enterprises C.I.C is a company limited by guarantee and as such does not have share capital. Adullam Restorative Practices C.I.C is a company limited by guarantee and does not have any share capital.

16. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£	Restated £	£	Restated £
Bank loans and overdrafts	38,157	36,407	38,157	36,407
Trade creditors	248,723	230,718	245,976	230,718
Rents paid in advance	350,288	311,000	350,288	311,000
Other tax and social security	493,254	368,817	480,461	368,817
Accruals and deferred income	365,309	545,060	351,933	545,060
Deferred capital grant (note 20)	178,319	236,366	178,319	236,366
Other creditors	188,834	163,686	188,834	163,686
Amounts owed to group undertakings	-	-	-	3,200
	1,862,884	1,892,054	1,833,968	1,895,254

17. Creditors -Amounts falling due after more than one year

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Loans (Note 18)	1,023,730	1,061,887	1,023,730	1,061,887
Recycled Capital Grant (Note 19)	692,840	113,463	692,840	113,463
	1,716,570	1,175,350	1,716,570	1,175,350

Notes to the Financial Statements

18. Debt analysis

Included in creditors for both Group and Association are:

	2018	2017
	£	£
Within one year	38,157	36,407
Between one and two years	40,028	38,160
Between two and five years	132,581	126,191
In five years or more	851,121	897,536
Loans Outstanding	1,061,887	1,098,294

Analysed as:

Payable < 1 year	38,157	36,407
Payable > 1 year	1,023,730	1,061,887

Loans are secured by specific charges on the Association's individual housing properties. The loans are repayable monthly at varying rates of interest and are due to be repaid in 2032 and 2037.

£231,007 (Orchardbrook Ltd) (31st March 2017- £236,956) repayable quarterly for 31 years commencing in 2000; interest rate 10.9625%

£830,880 (Triodos bank) (31st March 2017-£861,338) repayable monthly for 25 years; interest rate of 3% above base rate.

Notes to the Financial Statements

19. Recycled Capital Grant Fund

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
At the start of the year	113,463	174,274	113,463	174,274
Grants released on disposals	579,377	113,463	579,377	113,463
Grants recycled	-	(174,274)	-	(174,274)
At the end of the year	692,840	113,463	692,840	113,463
Analysed as:				
Due in less than one year	-	-	-	-
Due in more than one year	692,840	113,463	692,840	113,463
Total	692,840	113,463	692,840	113,463

Notes to the Financial Statements

20. Deferred Capital Grant

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
At start of year	12,622,848	12,779,723	12,622,848	12,779,723
RCGF allocated	-	174,274	-	174,274
Released to income in the year	(179,105)	(236,514)	(179,105)	(236,514)
Grant released on disposals to RCGF	(579,377)	(113,463)	(579,377)	(113,463)
Grant amortisation written back on disposal	209,318	18,828	209,318	18,828
At the end of the year	12,073,684	12,622,848	12,073,684	12,622,848
Amount due to be released < 1 year	178,319	236,366	178,319	236,366
Amount due to be released >1 year	11,895,365	12,386,482	11,895,365	12,386,482

21. Financial Instruments

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

	Group	
	2018	2017
	£	£
Financial Assets		
Financial assets that are measured at amortised cost	1,818,393	721,441
Financial Liabilities		
Financial Liabilities that are measured at amortised cost	1,797,275	1,973,148

22. Non-equity share capital

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Allotted, issued and fully paid:				
At the start of the year	18	18	18	18
At the end of the year	18	18	18	18

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding up and are not redeemable. Each share has full voting rights.

Notes to the Financial Statements

23. Related party Transactions

During the year Adullam Homes Housing Association Limited had the following transactions with non-regulated entities which form part of the Group.

Subsidiary/Non-Regulated Entity	Transaction	2018 £	2017 £
Adullam Social Enterprises C.I.C (ASE)	Management charge to ASE	-	43,961
	Agency charges for staff time and costs from ASE	473,448	580,673

Recharges are made at cost.

Adullam Social Enterprises C.I.C is a wholly owned subsidiary incorporated in England on 2 April 2016.

At 31 March 2018 the following balances were due between Adullam Homes Housing Association and Adullam Social Enterprises C.I.C, a non-regulated entity which forms part of the Group:

	2018 £	2017 £
Adullam Homes Housing Association Limited owed Adullam Social Enterprises C.I.C	-	3,200
Adullam Social Enterprises C.I.C owed Adullam Homes Housing Association Limited	42,869	-

Notes to the Financial Statements

24. Commitments under operating leases

The Group holds properties and office equipment under non-cancellable operating leases. At the end of the year the Group had commitments of future minimum lease payments as follows:

Amounts due	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Less than one year	639	595	639	595
Between one and two years	548	501	548	501
Between two and five years	163	621	163	621
Total	1,350	1,717	1,350	1,717

25. Grant and financial assistance

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Held as deferred capital grant	12,073,684	12,622,848	12,073,684	12,622,848
Accumulative amortisation in Income and Expenditure Reserves	4,654,161	4,703,202	4,654,161	4,703,202
Held in Recycled Capital Grant	692,840	113,463	692,840	113,463
Total accumulated government grant and financial assistance	17,420,685	17,439,513	17,420,685	17,439,513

26. Events after the Balance Sheet Date

The Board of Adullam have approved the pursuance of a potential partnership with a charitable/housing group where it believes there to be real synergy with Adullam's culture and a real people focus, which would offer a number of considerable advantages. The enlarged future Group would allow greater choice for the people supported and a greater career path for staff, also a national voice on matters of policy and social justice is being sought, all of which would be beneficial to Adullam.

At the time of writing this report the financial and legal due diligence work is underway with the timetable being one that, if the partnership were to go ahead, would see Adullam join the Charitable/housing group's Group structure towards the end of 2018.

There is no impact on the financial statements for 2017/2018 as no costs relating to due diligence work, or similar had been incurred at 31 March 2018.

Notes to the Financial Statements

27. Prior period adjustment

In 2018 it was identified that overprovision had historically been made in respect of VAT (see Note 1). This has been released as a prior period adjustment and the impact is shown as below.

Statement of comprehensive income Year ended 31 March 2017	Group		Association	
	Restated £	Original £	Restated £	Original £
Turnover	8,507,908	8,507,908	8,375,270	8,375,270
Operating expenditure	8,799,791	8,764,197	8,670,371	8,634,776
Operating deficit	(291,883)	(256,289)	(295,101)	(259,506)
Gain on disposal of properties	37,493	37,493	37,493	37,493
Interest receivable	7,696	7,696	7,696	7,696
Interest and financing costs	(57,147)	(57,147)	(57,147)	(57,147)
Total comprehensive expense	(303,841)	(268,247)	(307,059)	(271,464)
Impact on operating expenditure				
Social housing activities				
Service costs	2,192,644	2,174,939	2,192,644	2,174,939
Management costs	942,034	934,428	942,034	934,428
Care and support costs (*)	3,801,743	3,791,460	3,801,743	3,791,460
Routine maintenance	536,556	536,556	536,556	536,556
Bad debts	226,171	226,171	226,171	226,171
Lease charges	452,235	452,235	452,235	452,235
Depreciation of housing furnishings and amortization	77,554	77,554	77,554	77,554
Depreciation of housing properties	297,809	297,809	297,809	297,809
	8,526,746	8,491,152	8,526,746	8,491,152
Other expenditure	273,045	273,045	143,625	143,625
Total operating expenditure	8,799,791	8,764,197	8,670,371	8,634,777

* the care and support costs shown in the 'Original' column are actually after the reclassification of £2,528,212 of costs relating to Supporting People as per page 32, these have been included here to only show the impact of the VAT adjustment in this note.

Creditors due within one year 31 March 2017	Group		Association	
	Restated £	Original £	Restated £	Original £
Bank loans and overdrafts	36,407	36,407	36,407	36,407
Trade creditors	230,718	230,718	230,718	230,718
Rents paid in advance	311,000	311,000	311,000	311,000
Other tax and social security	368,817	749,485	368,817	749,485
Accruals and deferred income	545,060	545,060	545,060	545,060
Deferred capital grant	236,366	236,366	236,366	236,366
Other creditors	163,686	163,686	163,686	163,686
Amounts owed to group undertakings	-	-	3,200	3,200
	1,892,054	2,272,722	1,895,254	2,275,922
		Group £		Association £
Income and expenditure reserve as previously reported for the year ended 31 March 2017		7,950,210		7,946,993
VAT correction		380,668		380,668
Income and expenditure reserve restated		8,330,878		8,327,661