

Adra

Adra (Tai) Cyfyngedig

Group Financial Statements

For year ended March 2021



ADRA Group
CONSOLIDATED REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

Mark Jones (Chair)
Hywel Eifion Jones (Vice Chair)
Abigail Tweed
Robert Lewis
Berwyn Parry Jones
Lynn Rowlands
Cai Larsen
Selwyn Hayward
Huw Gareth Pritchard
Will Nixon (Appointed April 2020)
Paula Jewson (Retired in September 2020)
Linda Campbell (Retired in November 2020)

Secretary and Registered Office

Aled Davies
Ty Coch
Llys y Dderwen, Parc Menai
Bangor, Gwynedd, LL57 4BL

Executive Officers

Ffrancon Williams - Chief Executive
Iwan Trefor Jones – Deputy Chief Executive
Sarah Schofield – Director of Customers & Communities
Rhys Parry – Director of Finance (until May 2020), Director of Resources (from June 2020)

External Auditors

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

Bankers

Barclays Bank plc
One Snowhill,
Queensway,
Birmingham B3 2WN

Internal Auditors

Mazars
First Floor, Two Chamberlain Square,
Birmingham,
B3 3AX

Financial Advisors

Chatham Financial
12 St James's Square,
London,
SW1A 4LB

Funders

Barclays Bank plc
National Westminster Bank plc
BAE Systems Pension Funds CIF Trustees Limited
Rothesay Life plc

Adra (Tai) Cyfyngedig is a Co-operative and Community Benefit Society registered with charitable rules. Co-operative and Community Benefit Society Number: 30776R. Registered Social Landlord number L152.

ADRA (TAI) CYFYNGEDIG

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Strategic Report

for the year 1 April 2020 to 31 March 2021

The Board of Adra (Tai) Cyfyngedig presents this report and the audited financial statements for the year 1 April 2020 to 31 March 2021. Both 'Adra' or 'Association' are used to refer to Adra (Tai) Cyfyngedig.

As required by the Financial Reporting Council, the Financial Statements have been prepared in compliance with Financial Reporting Standard (FRS) 102.

Principal Activities

Adra is a Large-Scale Voluntary Transfer (LSVT) Housing Association formed in April 2010 following the transfer of 6,300 homes from Gwynedd Council. Adra is a Co-operative and Community Benefit Society registered with charitable rules and is a Registered Social Landlord (RSL) regulated by the Welsh Government. As Adra has matured, it has expanded outside of Gwynedd, and now also manages homes in Conwy, Denbighshire, Flintshire and Wrexham.

Adra's primary purpose is to provide affordable rented homes to those in housing need, and to ensure that those homes meet the Welsh Housing Quality Standard (WHQS). Adra provide homes at social rent, intermediate rent, market rent and rent to own, and also provides shared-ownership homes.

Adra has one subsidiary, Medra Cyf, which is a limited company registered with Companies House. Medra Cyf is a property development company building new homes for sale.

As at 31 March 2021, Adra owned and managed **6,499 properties** including 314 Sheltered Housing for older tenants. During 2020/21 Adra launched a new Development Strategy (2020 – 2025) with a target of developing over 1,200 new homes by 2025. 172 new homes were completed during 2020/21 with a further 403 started on site before year end; 135 in Gwynedd, 121 in Conwy, 55 in Denbighshire, 27 in Flintshire and 65 in Wrexham. This brings our total of new homes completed since 2015 to 426.

For the year ending 31 March 2021, Adra's turnover was £37.8m (2020: £36.4m), the surplus for the year was £9.2m (2020: £11.5m deficit.) 323 staff were employed (2020: 299).

Adra holds the ISO 45001 (previously OHSAS 18001) accreditation for Health and Safety, and the ISO 9001 and 14001 accreditations for Quality and Environment management systems respectively.

Objectives and strategies

Adra's **Corporate Plan 2019 - 2022** provides the strategic direction for the association and sets out the **corporate vision** that:

"As a leading provider of quality homes and services, we want to make a positive difference to people and their communities."

The plan identifies four **core corporate values** to support this vision:

- **Fair:** We act fairly and impartially, respecting the dignity and individuality of everyone
- **Open:** We are trustworthy and transparent in the way we work and make decisions
- **Ambitious:** We are a dynamic and ambitious organisation that supports innovation and creativity, and seeks opportunities to enhance all aspects of our business
- **Accountable:** We take responsibility for our decisions and actions and for finding solutions

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Four **fundamental principles** form the foundation of our work, namely:

- working in Partnership
- ensuring Value for Money
- promoting the Welsh language
- empowering Workplace Culture.

The plan also details four **key themes** to progress over its 3-year lifespan, namely:

- Our Homes and Services
- Growth
- Our Communities
- Our Business.

Financial Review

Regulatory Judgement

The Welsh Ministers have powers under Part 1 of the Housing Act 1996 to regulate Regulated Social Landlords in relation to the provision of housing and matters relating to governance and financial management. The Welsh Ministers publish a Regulatory Judgement under sections 33A and 35 of the Housing Act 1996, with this judgement published in accordance with the Regulatory Framework for Registered Social Landlords in Wales and the related performance standards.

<https://gov.wales/housing-associations-registered-wales-regulatory-framework>

The judgement is designed to provide the Registered Social Landlord, its tenants, service users and other stakeholders with an understanding of its financial viability and how well it is performing, at a specific moment in time.

The judgement must not be relied upon by any other party for any other purpose. The Registered Social Landlord is responsible for the completeness and accuracy of information provided to the Regulator.

The Regulator varied its ordinary process for 2020/21 and confirmed through an interim [assessment the Regulatory Judgement](#) for December 2019. The Regulatory Judgement published by the Welsh Government in December 2019, gave a 'Standard' status (i.e. the highest rating) for both Governance and for Financial Viability, and noted:

- Governance and Services – “Identifies and manages new and emerging risks appropriately”
- Financial Viability – “Meets viability requirements and has the financial capacity to deal with scenarios appropriately”

The Regulatory Judgement confirmation is available at in the Regulation section of:

<https://www.adra.co.uk/en/about-us/our-performance/regulation/>

Financial Performance

The 2020/21 financial results exceeded business plan targets and showed a surplus on ordinary activities of £9.2m. Despite Covid-19 pressures, Adra managed to contain costs, and additional income was generated, e.g. from the additional homes under management. The result includes the £4.1m dowry from the Welsh Government which is reinvested in Adra's properties.

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Tangible fixed assets were £206.5m at year-end, being mainly the cost of capitalised new properties and current housing improvements. Net current assets were £18m. Cash balances were £15.2m, and the liability on the local government pension scheme fund was £11.8m. Total year-end reserves were £54.6m, mainly being housing properties/improvements, less the long-term funding of those works less the pension liability.

Adra has total borrowing facilities of £159.3m. At year-end £124.3m had been drawn as follows:

- Term Loan from Nat West Bank totalling **£45.0m** - repayable in December 2029.
- Private Placement facility totalling **£75.0m** – repayable in the period 2048 – 2052.
- Welsh Government variable rate loans totalling **£1.344m** - repayable before 2022/23.
- Welsh Government fixed rate loans totalling **£2.957m** – repayable in 2041.

Assets

Investment in housing properties continued and the WHQS standard was maintained. £165.2m was spent in the first 10 years, with a further £6.5m invested in 2020/21. In addition, £37m was spent on new build schemes.

Around 500 hectares of land and other assets were transferred to Adra upon inception. This land was transferred at zero cost and so its value is not included in the Statement of Financial Position. An active strategy of disposing land surplus to requirements continues. Disposal proceeds to date are over £400k, and further disposals will generate additional capital receipts. Such receipts are used to part-fund additional affordable housing. Other land holdings are kept for future development by Adra.

Rents

Adra follows the Welsh Government's policy on Social Housing Rents which for the 5-year period commencing April 2020 allows rent increases of up to Consumer Prices Index (CPI) + 1%, plus up to £2 per week for some properties to fund improvement works. After a detailed exercise to assess affordability, Adra implemented a CPI + 1% increase for all properties for 2020/21. This resulted in an average actual rent increase of 2.7%, and total rent charged of £31.3m.

Disposals

Tenants who transferred from Gwynedd Council had the 'Preserved Right to Buy' until January 2020. This option ended with the enactment of 'Abolition of the Right to Buy and Associated Rights (Wales) Act 2018.' There were therefore no Right to Buy sales in 2020/21. There were however 5 properties sales on the open market, with sale proceed recognised in the Consolidated Statement of Comprehensive Income.

Efficiency and Value for Money

Promoting Efficiency and Value for Money (VFM) is a fundamental principal of the 2019/22 Corporate Plan which notes: "To make sure that our services address customer needs in a cost-effective way, we will continually review how we do things, carefully balancing cost, quality and customer expectation. We will procure goods and services fairly and ethically, continuing to support a culture that promotes economy, efficiency and effectiveness throughout the business, with regular reviews to ensure we undertake relevant improvements. We will also make sure our activities provide the maximum social value and impact to our tenants and communities."

Value for money underpins many strategies, particularly the 'Value for Money Strategy' and the 'Commercial Strategy 2021 – 2026'. One workstream of the latter aims to minimise business expenditure on external

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contracts and streamline services to create a more efficient, commercial business. The overall ethos and approach to VFM is about ensuring that every pound spent delivers the maximum impact possible in terms of quality and / or quantity. Without VFM as an overarching principle, companies inevitably spend more than needed to achieve their objectives. Nobody likes to waste resources and our tenants certainly can't afford for us to do so.

The 2019-22 Corporate Plan aims to make a sustained and positive impact on the local economy, and states that by 2022, we will have consistently achieved a Welsh local multiplier of more than £1.90 for every £1 spent. By the end of 2020/21 we had achieved an economic impact of £1.96 for every £1 spent on large-scale contracts.

Sustainability Reporting Standard

Adra is an early adopter of the "Sustainability Reporting Standard for Social Housing" (SRS) and has committed to report against the standard annually. This voluntary reporting framework was developed for the social housing sector in response to the desire for a common reporting standard on ESG (Environmental, Social and Governance) issues, such as zero carbon targets, affordability and safety standards. There has also been strong interest and support from investors in respect of developing the standard.

Adra is one of almost 100 organisations (one of only 6 in Wales) signed up to SRS as either an adopter or endorser, and Adra's first Sustainability Report is available at https://www.adra.co.uk/wp-content/uploads/2021/08/ADRA-SUSTAINABILITY-REPORT-2020-21_ENG.pdf.

Operational Review

As an established social landlord, Adra is committed to continually improving its business and the services provided to customers. The 2019-22 Corporate Plan sets out Adra's roadmap for future growth and service improvement and to achieve its aspirations Adra must be well managed and fit for the future. Adra's financial and business planning model meant that we were well placed for the challenges of 2020/21; despite Covid-19 related uncertainties, Adra was able to continue to grow and to provide stability for its tenants, partners and communities.

Work to prepare the next three-year corporate plan, i.e. 2022-25 has started, with extensive consultation undertaken with customers, staff and stakeholders to identify and agree key business priorities based on a customer centric model, underpinned by an ethos of continuous improvement and growth.

Key 2020/21 achievements included:

Homes

As well as maintaining compliance with the Welsh Housing Quality Standard (WHQS), Adra continued to invest in existing homes in 2020/21. Adra also outlined its commitment to tackling climate change and working to reduce carbon emissions from its homes to net-zero by 2030 by publishing its first **Decarbonisation Strategy**. The Asset Management Strategy was aligned to this, and via a "fabric first" approach, the improvement programme focussed on the least energy efficient houses. Over £1.1m was invested in retrofitting loft and wall insulation in 137 homes (37 receiving loft insulation only) and new

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double-glazing units in 38 properties. It is estimated that these improvements will save our tenants an average of £95 per annum on their energy bills (a 22% decrease to their heating costs).

Adra completed **172 additional homes** in 2020/21, with over 90% being EPC rated 'B' and above. Over 91% of tenants in our new build homes agreed that their quality of life had improved since moving.

Adra is a key partner with many housing developers across North Wales. 12 sites started in 2020/21 across the region, with 403 new properties being on site before the end of March 2021. These schemes will achieve the 2019-22 Corporate Plan target of completing 550 new homes (at least 50 of innovative build) by March 2022. They will also go a long way to achieving our **Development Strategy** target of more than 1,200 new homes by 2025.

Adra Group's first market sale schemes will be developed through the subsidiary, Medra during 2021/22.

Affordable Homes

In recognition of the differing needs of our communities to access safe, quality and affordable housing options Adra has widened its rental options. The first Rent to Own and intermediate rent properties were offered in 2019/20, market rent properties in 2020/21, and our first shared ownership properties will be available in 2021/22.

Reducing homelessness

Adra worked in partnership during the pandemic to reduce homelessness within Gwynedd and subsequently secured additional funding to build a new supported accommodation with support services. This scheme will start in 2021/22.

Supporting our partners in health

At the start of the pandemic, Adra's main office was used as a base for community testing by Betsi Cadwaladr University Health Board (BCUHB). We also embarked on an innovative partnership agreement with the BCUHB to provide affordable high-quality accommodation for overseas nursing staff and other key workers. This will see us providing up to 75 nursing and other key workers with accommodation every year.

Repairs and Maintenance

Adra's in-house workforce (Tîm Trwsio) continued to deliver all repairs and maintenance to our homes and also delivered part of the capital improvement programme for the Assets Service. Tenant satisfaction with the repairs service (92.4%) exceeded the target throughout 2020/21.

Our commitment to maintaining the Health and Safety ISO accreditation (ISO45001) means that we continue to prioritise the health and safety of tenants, staff and the public. We take our regulatory obligations, compliance and management of associated risks seriously and have robust processes to measure our compliance against the traditionally recognised 'Big 6' health and safety areas, namely Gas Safety, Electrical Safety, Lift Safety, Legionella, Asbestos and Fire Safety.

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Void Strategy and Standard

An enhanced 'Void Standard' policy has been adopted which increases the investment made in vacant properties when they are being prepared for new tenants. The policy outlines the standard of property the tenant should expect when handed over by Adra. The additional commitment made has ensured that we continue to deliver high quality, safe homes to those in need whilst minimising the disruption to new tenants.

The standard and related investment has led to high satisfaction levels in our homes, with 90% of new tenants satisfied or very satisfied with the quality of their home. This approach has supported the delivery of our capital programme and maintenance of Welsh Housing Quality Standard (WHQS) compliance, particularly where component upgrades e.g. new kitchens, were refused by the previous tenant.

Customer Satisfaction

Adra always strives to deliver excellent customer service and we have maintained our Customer Service Excellence (CSE) Standard Award accreditation. The CSE Award assesses organisations using five criteria, namely: 'Customer insight'; 'Culture of the organisation'; 'Information and access'; 'Delivery'; 'Timeliness and quality of service'. Our work with an external research agency to ask over 125 customers each month about their experience has continued to inform our continuous improvement.

Delivering services in 2020/21 was challenging due to Covid-19 related restrictions. Our focus in the early part of the pandemic was the prioritisation of customer and staff safety whilst supporting the safety and wellbeing of the wider community. Despite all the challenges, our staff adapted swiftly to different operating and service delivery environments, with customer satisfaction levels being maintained or improved during challenging times. A significant proportion (83.2%) of our customers surveyed stated that they were happy (satisfied or very satisfied) with the overall level of service received, and our customers reported higher levels of trust, with over 90% stating that they find Adra trustworthy or very trustworthy.

The Housing Regulator for Wales has established nine customer satisfaction questions on which we must report – 'Overall level of service', 'Quality of the home', 'How Adra deals with Repairs and Maintenance', 'That Adra listens and acts on tenants' views', 'How Adra deals with Anti-Social Behaviour', 'Rent paid provides value for money', 'The service received is at the expected level', 'The trustworthiness of the organisation', and 'The neighbourhood as a place to live'. 2020/21 saw eight (8) of the nine (9) achieve a customer satisfaction score of 80% or above. In addition, of further eight (8) 'front facing' services, six (6) achieved customer satisfaction of 90% or over with an average of 89% across all eight services by year end.

Community Strategy

The 2018 – 2030 Community Strategy outlines how Adra invests in and support its communities. It is centred on five thematic priorities namely 'Employment and Skills', 'Health and Wellbeing', 'Crime and Safety', 'Environment', and 'Language and Culture'. There is a strong alignment between the Community Strategy and the Corporate Plan.

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The Strategy is a key driver to ensure that we maintain a strong focus on our social obligations, that our community investment activities are supported and that we seek to maximise the social value created by our work. Implementation of the strategy in 2020/21 resulted in many positive outputs and outcomes, with the main focus during the year being the Employment and Skills theme, and the development of a specific Skills and Employment Plan which culminated with the launch of 'Academi Adra'. During the year we received 56 requests of support from our customers to our new employment and skills scheme, 45 volunteering opportunities were created, and 44 apprenticeships were supported through Adra and our appointed contractors.

Universal Credit and Welfare Reform

Universal Credit came into force in Gwynedd in December 2018. By March 2021 approximately 20% of our tenants had transitioned onto Universal Credit. Adra has led the work of the Gwynedd Welfare Reform Task and Finish Group, with this partnership including key representatives such as Citizens Advice Bureau (CAB), Gwynedd Council and the Department for Work and Pensions (DWP). The group's aim is to mitigate the impact of Universal Credit on Gwynedd residents, and this work helped to ensure that Adra's current tenant arrears remain below the UK and Welsh (3.6%) average.

The intensive support provided to Adra tenants who go into financial arrears will continue.

Community involvement

Customers are central to our work, and our 'Participation Framework' provides a range of options for customers to have their say, to participate with developing policies and procedures, and to work with us to continually improve service delivery. The customer panel was relaunched in 2020/21 to improve how we get feedback on our core work, with the first consultation being on the draft *Assets Management Plan*.

Our tenant and resident partnership continued to provide constructive feedback throughout the year via virtual meetings. We therefore continued to engage and understand customer needs during a challenging period. To overcome Covid-19 restrictions, our annual courtesy call programme was carried out over the phone rather than through the usual home visit. We also increased our digital engagement methods through use of online surveys and SMS prompts. This resulted in increased number of customers sharing their views.

Safeguarding

Adra continued to work closely with partners to ensure that tenants at risk of serious harm were supported. There are close working relations with North Wales Police, the local authority social services departments within our operating area and other social housing providers. Due to the change in circumstances during the pandemic, we adapted our working methods to both acknowledge that risk levels could increase for some individuals and adapted the way we jointly provided support and/or intervention.

Covid-19 and Community Resilience

In response to the Covid-19 pandemic, Adra continued to work in partnership with Cyngor Gwynedd, Mantell Gwynedd, BCUHB, Citizens Advice, Menter Môn and Grwp Cynefin who are all members of the Gwynedd Community Resilience Group. The Group coordinates several projects and schemes aimed at

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supporting local communities, and residents who are vulnerable or facing hardship. Adra was successful in achieving a '2020 Recognition Award' by the Tenant Participation Advisory Service (TPAS) Cymru for its work during the pandemic in supporting tenants and the wider community. During this time, together with our partners we:

- Made over 1,800 welfare calls to vulnerable tenants (over 70's, vulnerable and shielding) during the first Covid-19 lockdown;
- Referred over 350 customers that were shielding to receive weekly food parcels
- Established a hardship fund with the financial support of our partners, Travis Perkins, to support communities through the pandemic. £50k was distributed in financial support from this fund in 2020/21 to 21 projects across Adra's operating areas.
- Provided financial assistance to food banks and supported collection / delivery across Gwynedd

Sustainable procurement

We recognise the potential benefits that our procurement activities can have upon the local economy and we have continued to deliver ethical and sustainable best practices within procurement activities. Adra was the first Housing Association to sign up to Welsh Government's Code of Practice – Ethical Employment in Supply Chains and we continue to ensure that all suppliers and contractors sign up to Adra's Code of Conduct in order to increase customer satisfaction and support the local economy. We continued to show leadership and collaborative-working in the procurement field in 2020/21 by establishing the 'Wales Materials Framework', a Wales-wide framework for building materials and associated managed services. Having a dedicated materials supplier will help us generate social value, drive innovation and allow us to push for green, sustainable and net-zero technologies and products. This framework has already attracted several Housing Associations and Local Authorities, and we expect it to grow significantly over coming years.

Staff – "Gwna Wahaniaeth"

The organisational development programme "Gwna Wahaniaeth" ("Make a Difference") continued in 2020/21. This helps ensure that we value and develop staff so that they deliver our commitments to customers and communities. The resolve of the strategy was put to the test when Covid-19 restrictions fundamentally changed our ways of working and service delivery. Staff, where possible, were told to work from home and new ways of working were swiftly adopted. Previous investment in information and communication technologies meant that Adra was well placed to transfer to home working. Adra moved from an organisation that measured work by presence e.g. 37-hour week; to one that placed far greater trust in staff with a more output based management style. This change improved staff's work life balance, increased empowerment and helped minimise burnout and other mental health issues.

The health and wellbeing of staff is a priority, particularly with the scale of change in working practices. Several initiatives were progressed to mitigate potential negative impacts on staff, including mental health and resilience sessions for staff and a skills week. Such initiatives supported continuity throughout the pandemic with minimal impact on customers. The success of "Gwna Wahaniaeth" was demonstrated by the

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positive results of interim staff satisfaction surveys undertaken in July 2020 and March 2021. These highlighted that 97% of staff feel that Adra is a good employer.

Business Transformation Project

This project continued to focus on providing better and more modern services, transforming culture and working practices, and increasing financial viability. Our new housing management system was launched in 2020/21, with the aim of modernising our IT capabilities to support improvements in business intelligence, enhancing our focus on our customer needs and preparing for sustained future growth.

Charitable work

Adra staff choose a charity to support each year. Awyr Las, a North Wales NHS Charity that provides enhanced services over and above that of which the NHS funds was chosen for 2020/21 and £1,900 was raised by staff through various fund-raising activities.

Governance

Language and equality

In accordance with the Welsh Language Act 1993 and the Welsh Language (Wales) Measure 2011, Adra has a Welsh Language Scheme that adopts the principle that the Welsh and English languages will be treated equally. The Annual Monitoring Report found that Adra has rigorous and robust arrangements in place to ensure that a bilingual service is provided to customers.

Our adopted Welsh Language Scheme recognises that our customers require all services to be available in the language of their choice (Welsh/English). To demonstrate our commitment to treating both languages equally, we were the first social landlord to launch the 'Adra Ten Commitments to the Welsh Language' – our language charter. This includes how we will support the Welsh Government in reaching its target of one million Welsh speakers by 2050.

Housing Association Regulatory Assessment

As with all RSLs in Wales, Adra is regulated by the Welsh Government through an ongoing co-regulatory relationship between the Regulator and the Association. As noted on page 5, the Welsh Government's interim Regulatory Judgement published in March 2021 confirmed a 'Standard' status (i.e. the highest rating) for both Governance and Services, and Financial Viability. Adra maintains a strong relationship with the Regulator and is in regular contact.

The Code of Governance

The Board and wider business aim to follow Community Housing Cymru's (CHC's) Code of Governance – a useful tool to support good governance and continuous improvement.

A comprehensive compliance assessment was undertaken following the Code's previous publication in 2018. The conclusions then were that Adra could demonstrate compliance with much of the Code, and actions were put in place to ensure full compliance. Specifically, it was agreed that Adra would more regularly review its Risk Management Framework, and that there would be an evaluation of the Board in the Annual Report. Both actions were implemented, and the current version of the Risk Management Framework was adopted

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by Board in March 2021 for the year 2021/22. The framework has been revised and now covers the whole Adra Group, including the subsidiary company Medra.

CHC published a new version of the Code in May 2021, and Adra will re-evaluate its compliance with this as part of the 2021 Self-Evaluation process – thereby assessing that the good practices and measures are in place / considered.

Board and Committee Structure

A Special General Meeting updated Adra's Rules in 2020/21, establishing a flexible Board size of between 9 and 12 Members (not including Co-optees). The Rules provide that two shall be Tenant Board Members and state that up to 24% shall be nominated by the Local Authority with the remainder being Independents. All hold Non-Executive positions and collectively bring a wide range of professional, commercial and local knowledge. The Board and Executive Leadership Team members are detailed on page 1.

Annual Board appraisals are used to inform training / support requirements and any recruitment needs. Adra targeted housing and development skills in its latest recruitment efforts, resulting in successful appointments to the Adra and Medra Boards. Both Boards have a strong array of relevant skills, knowledge and experiences, and this is continuously monitored.

Adra's governance structure comprises the following Committees / Standing Panel:

- Audit and Assurance Committee
- Customers and Assets Committee
- Appointment, Remuneration & Disciplinary Panel

Statement of Board Responsibilities

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year. These accounts must give a true and fair view of the Association's state of affairs, and of its surplus for that period. In preparing the accounts, the Board have 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;
- Prepare the accounts on the going concern basis unless that is inappropriate.

The Board are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and Housing Acts. In determining how amounts are presented within items in the Consolidated Statement of Comprehensive Income and the Statement of Financial Position, the Board has had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

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Although the Board is responsible for Adra's strategy and policy framework, operational management and implementation is delegated to the Executive and wider staff.

Shareholder Membership

Adra had 44 Shareholders at the end of 2020/21, with each having a £1 share in Adra. Shareholders can influence Adra's business through their right to vote at General Meetings. All tenants have the right to apply to become shareholders, and our Rules / Policy govern eligibility.

Gwynedd Council holds one non-voting share on behalf of the Local Authority / its nominees on the Board, and the remaining Board members (excluding Co-optees) are all shareholders. None of the senior officers hold any interest in the share capital, and the Association's Rules so preclude employees holding a share.

Internal Control

The Board has overall responsibility for establishing and maintaining the overall system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Adra's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within general management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which Adra is exposed to and is consistent with Welsh Government's RSL 02/10 housing circular: 'Internal controls and reporting'.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks:

The revised Risk Management Framework approved in March 2021 outlines the processes involved in risk management, including the identification, analysis and scoring of risks, and how risks are monitored and managed. The revised framework strengthens the whole organisation's involvement in risk management and monitoring, and refers to two levels of organisational risk, namely strategic and operational for which two separate risk registers are maintained. Other areas of the business may create and maintain individual risk registers e.g. development sites, projects etc.

This process enables Adra to identify key risks and uncertainties, and the highest scoring risks in 2020/21 continued to be the impact of the implementation of welfare reform on tenants and tenancies, the impact of the pandemic and the delivery of accelerated decarbonisation for social housing in Wales.

The Covid-19 pandemic resulted in the creation of a standalone risk register and mitigation plan. This was regularly monitored by management. The mitigation plan was implemented via the Business Resilience Group and helped minimise the impact of the pandemic on staff, customers and the association.

General reporting and monitoring of operational and strategic risks happen on a quarterly basis with Senior and Executive management respectively. Board level input into the process is sought annually and follows

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an organisational SWOT (Strengths, Weaknesses, Opportunities and Threats) review and PESTLE (Political, Economic, Social, Technical, Legal and Environmental) analysis. Part of this Board input also relates to the annual review and setting of the Board's risk appetite for the forthcoming year.

The internal audit function is provided by an independent firm of accountants, and follows a risk-based audit programme, reporting directly to the Audit and Assurance Committee.

Overall control procedures:

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance matters. Policies and procedures address issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems:

Financial reporting procedures include detailed budgets for the year ahead, detailed monthly management accounts, and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by senior management and are considered and approved quarterly by the Audit and Assurance Committee. That committee also approves the quarterly treasury management report. Adra's committees regularly review relevant key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The Board approves the annual 30-year business plan, and in-year reviews of this plan also take place. Regular financial reports are also submitted to the Funders and the Regulator.

Monitoring and corrective action:

A process of regular management reporting on control issues provides assurance to senior management and to the Audit and Assurance Committee. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of services.

The internal control frameworks and the risk management processes are subject to regular review by Internal Audit who report to the Audit and Assurance Committee. The Audit and Assurance Committee also conducts an annual review of the effectiveness of the system of internal control and considers any changes needed to maintain the effectiveness of risk management and control process.

The Board confirms that there is an on-going process for identifying and managing significant risks, that this process is regularly reviewed by the Board, and was in place throughout 2020/21 and up to the date of the annual report and accounts.

Statement of compliance

This board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the Housing SORP 2018.

By Order of the Board:



Mark Jones – Chair

Date: 22 September 2021

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Independent Auditor's Report to Adra (Tai) Cyfynedig

Opinion

We have audited the financial statements of Adra (Tai) Cyfynedig ('the Association') and its subsidiary ('the Group') for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Changes in Reserves, Association Statement of Changes in Equity, Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's or Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Opinion on other matters prescribed by the housing association circular RSL 02/10: Internal Controls and Reporting

With respect to the Board's statement on internal financial controls on pages 12 to 13, in our opinion:

- The Board have provided the disclosures required by the housing association circular RSL 02/10: Internal Controls and Reporting; and
- The Board's statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 11, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group and 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 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

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the trustees about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 27 September 2021

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Consolidated and Association Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	Consolidated 2021 £'000	Consolidated 2020 £'000	Association 2021 £'000	Association 2020 £'000
Turnover	2	37,824	36,414	37,824	36,414
Operating Expenditure	2	(26,211)	(26,614)	(26,176)	(26,595)
Gain on Disposal of Property, Plant & Equipment		373	3,037	373	3,037
Operating Surplus		11,986	12,837	12,021	12,856
Decrease in Valuation of Investment Property	8	(5)	(50)	(5)	(50)
Interest Receivable	4	19	20	19	20
Interest and Financing Costs	4	(2,742)	(3,357)	(2,742)	(3,357)
Loan finance issue Costs	4	(92)	(92)	(92)	(92)
Loan Breakage Costs	4	-	(20,943)	-	(20,943)
Surplus/(Deficit) for the Year		9,166	(11,585)	9,201	(11,566)
Taxation	21	0	0	0	0
Surplus/(Deficit) for the Year		9,166	(11,585)	9,201	(11,566)
Actuarial (Loss) / Gain in Respect of Pension Schemes	16	(6,166)	2,233	(6,166)	2,233
Total Comprehensive Income for the Year		3,000	(9,352)	3,035	(9,333)

The association's results relate wholly to continuing activities.

The financial statements on pages 18 to 52 were approved and authorised for issue by the Board on 22 September 2021 and were signed on its behalf by:





Mark Jones – Chair

Hywel Eifion Jones – Vice Chair

Aled Davies – Secretary

The notes on pages 24 to 52 form an integral part of these accounts.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Consolidated and Association Statement of Changes in Reserves

For the year ended 31 March 2021

	Consolidated	Consolidated	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	51,572	60,924	51,591	60,924
Surplus/(deficit) from Statement of Comprehensive Income	3,000	(9,352)	3,035	(9,333)
Balance as at 31 March 2021	54,572	51,572	54,626	51,591

The notes on pages 24 to 52 form an integral part of these accounts.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Consolidated and Association Consolidated Statement of Financial Position as at 31 March 2021

	Note	Consolidated		Association	
		31 March 2021	31 March 2020	31 March 2021	31 March 2020
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Fixed Assets	6, 7, 8	206,494	168,824	206,459	168,812
Current Assets					
Stock	9	522	143	522	143
Trade and Other Debtors	10	18,763	15,038	18,822	15,044
Cash and Cash Equivalents	11	15,306	4,546	15,246	4,541
Less: Creditors Due Within One Year	12	(16,566)	(13,642)	(16,566)	(13,642)
Net Current Assets		18,025	6,085	18,024	6,086
Total Assets less Current Liabilities		224,519	174,909	224,483	174,898
Debtors: Due After One Year	10	38,827	45,917	38,917	45,947
Creditors: Due After One Year	13	(196,953)	(164,536)	(196,953)	(164,536)
Provision for Liabilities:					
Pension Provision	16	(11,821)	(4,718)	(11,821)	(4,718)
TOTAL NET ASSETS		54,572	51,572	54,626	51,591
Reserves:					
Non-equity Share Capital	14	-	-	-	-
Income and Expenditure Reserve		54,572	51,572	54,626	51,591
TOTAL RESERVES		54,572	51,572	54,626	51,591

The financial statements on pages 18 to 52 were approved and authorised for issue by the Board on 22 September 2021 and were signed on its behalf by:



Mark Jones – Chair



Hywel Eifion Jones – Vice Chair



Aled Davies – Secretary

The notes on pages 24 to 52 form an integral part of these accounts.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2021

	2021		2020	
	£'000	£'000	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)		20,315		20,386
Cash Flow from Investing Activities				
Purchase of Tangible Fixed Assets	(44,563)		(28,105)	
Proceeds from Sale of Tangible Fixed Assets	539		3,694	
Grants Received	11,575		6,560	
Interest Received	19		20	
		<u>(32,430)</u>		<u>(17,831)</u>
Cash Flow from Financing Activities				
Interest Paid	(2,625)		(3,205)	
New Secured Loans	43,300		97,244	
Repayment of Borrowings	(17,800)		(74,384)	
Loan Breakage Costs	-		(20,943)	
Finance Costs	-		(941)	
		<u>22,875</u>		<u>(2,229)</u>
Net Change in Cash & Cash Equivalents		<u>10,760</u>		<u>326</u>
Cash & Cash Equivalents at Beginning of the Year		4,546		4,220
Cash & Cash Equivalents at the End of the Year		15,306		4,546

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Free Cash Flows

For the Year Ended 31 March 2021

	2021	2020
	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)	20,315	20,386
Interest paid	(2,625)	(3,357)
Loan Breakage Costs	-	(20,943)
Interest received	19	20
Adjustments for reinvestment in existing properties		
Component replacements	(6,823)	(7,707)
Purchase of other replacement fixed assets	(963)	(1,688)
Component replacement grant received	0	0
Free cash (consumed) / generated before loan repayments	9,923	(13,289)
Loans repaid (excluding revolving credits and overdrafts)	0	0
Free cash (consumed) /generated after loan repayments	9,923	(13,289)

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Reconciliation of Net Surpluses to Net Cash Inflow from Operating Activities (Note i)

	Year Ended 31 March 2021		Year Ended 31 March 2020	
	£'000	£'000	£'000	£'000
Surplus for the year - before Loan Breakage Costs		9,166		9,352
Adjustments for Non-Cash Items:				
Depreciation of Tangible Fixed Assets	6,750		6,173	
Decrease / (Increase) in stock	(379)		2	
Decrease / (Increase) in Trade & Other Debtors	6,322		10,637	
Increase / (Decrease) in Trade & Other Creditors	(4,402)		(6,952)	
Increase / (Decrease) in Provisions	-		-	
Pension Costs less Contributions Payable	819		1,339	
Carrying Amount of Fixed Asset Disposals	141		585	
Finance Costs	92		-	
		9,343		11,784
Adjustments for Investing or Financing Activities:				
Proceeds from the Sale of Tangible Fixed Assets	(539)		(3,694)	
Government Grants Utilised in the Year	(379)		(241)	
Interest Payable	2,743		3,205	
Interest Received	(19)		(20)	
		1,806		(750)
Net Cash Generated from Operating Activities		20,315		20,386

ADRA (TAI) CYFYNGEDIG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Adra (Tai) Cyfyngedig is incorporated in Wales under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a Registered Provider of social housing. Adra is a public benefit entity and its registered office is Ty Coch, Llys y Dderwen, Parc Menai, Bangor, Gwynedd, LL57 4BL.

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The financial statements comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The accounts are prepared on the historical cost basis of accounting and are presented in pounds sterling. Unless otherwise noted, amounts are rounded to the nearest £1,000.

The financial statements have been prepared in compliance with FRS102.

Basis of Consolidation

The consolidated Financial Statements include the Association and its subsidiary company, Medra Cyfyngedig for the financial year to 31 March 2021. The results of the subsidiary are included in the Consolidated Statement of Comprehensive Income from the commencement of trading. Intra-Group transactions are eliminated on consolidation.

Going concern

A review of the Group's forecasts, projections and long-term business plan shows that there is a reasonable expectation that it has adequate resources to continue operating for the foreseeable future. The review of the business plan included specific Covid-19 related stress testing, together with an assessment of how Covid-19 will affect the Group's financial position. This work concluded that the Group will remain financially viable, and so the financial statements continue to be prepared on a going concern basis.

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 date of the Consolidated Statement of Financial Position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- **Development expenditure.** Adra capitalises development expenditure in accordance with the accounting policy described under "Tangible Fixed Assets" page 26. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

- **Categorisation of housing properties.** Adra has undertaken a detailed review of the intended use of its housing properties – this review concluded that all housing properties are held for social benefit.
- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 16.

There are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment in the carrying value of assets and liabilities in the next financial year.

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** As detailed on the next page, tangible fixed assets are depreciated over their useful lives considering residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on many factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Rent to Own**
Rent to Own properties are held in fixed assets. Any sales proceeds will be included in turnover.
- **Shared Ownership sales – first tranche**
Low cost ownership properties are split between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and any related sales proceeds will be included in turnover. The remainder is included in completed housing property at cost.
- **Bad debt provision.** An estimation is made of the recoverable value of rental and other receivables. A Bad debt provision is created for any amounts that are unlikely to be recovered. This provision has been increased in 2020/21 due to the Covid-19 pandemic. The annual change in the Bad debt provision is charged to the Consolidated Statement of Comprehensive Income, and the amount to

ADRA (TAI) CYFYNGEDIG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

provide is based on an assessment of the age profile of the debt, historical collection rates and the class of debt.

- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Consolidated 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.

Following a trigger for impairment, Adra performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to Adra as the existing property. The cash flows are derived from the 30-year business plan and do not include restructuring activities that the association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment, including consideration of Covid-19 impacts, no impairment triggers were identified in the reporting period.

Turnover

Turnover comprises:

- Rent and service charges receivable net of empty property voids;
- Rechargeable repairs;
- Grants from the Welsh Government;
- Fees;
- Revenue grants.

Fixed Assets and depreciation

Housing properties are depreciated in accordance with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords".

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.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Freehold housing properties are depreciated by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are therefore as follows:

Component	Years
Building Structures	80 years
Roofing	60 years
Windows and Doors	30 years
Central Heating	20 years
Kitchens	18 years
Bathroom	30 years
Electrical Wiring	30 years
Walls and Other External Works	50 years
Disabled Adaptations	10 years
Solar Panels	25 years
Communal Blocks	15 years

Depreciation is charged over the expected useful life of assets related to estates and other land as follows:

Asset	Years
Fencing	40 years
Paths	30 years
Drainage	30 years
Parking Areas	30 years
Street Lighting	20 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Asset	Years
Offices	15 to 80 years
Garages	30 to 60 years
Shops	15 to 80 years
Vehicles and Plant	5 years
IT Equipment	5 to 10 years
Furniture	5 to 7 Years

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Stock

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. At each reporting date, stock is assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell, with the impairment loss being recognised immediately in the Consolidated Statement of Comprehensive Income.

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 is included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land) under the accruals model. The Social Housing Grant (SHG) received for items of cost written off in the Consolidated Statement of Comprehensive Income is included as part of Turnover. The capital element of the Housing Finance Grant 2 (HFG2) is receivable over 30 years and is guaranteed and so is recognised as a Debtor due after one year.

When SHG or HFG2 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.

Recycled Capital Grant Fund

Capital Grants must be recycled under certain conditions, if a property is sold, or if another relevant event takes place and are accounted for by credit to a Recycled Capital Grant Fund. In these cases, the grant can be used for projects approved by the Welsh Government. However, the grant 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 cases, the grant may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Development Capitalised Expenditure

Development expenditure represents the purchase and construction price and any directly attributable costs of acquisition. The directly attributable labour costs of the group's employees that arise directly from the construction or acquisition are capitalised as these costs would have been avoided if the property had not been constructed or acquired.

Interest is capitalised during the development period up to the date of practical completion and is calculated by reference to the Association's cost of borrowing. The effect of this change in 19/20 would have been £131k.

Holiday pay accrual

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

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the date of the Statement of Financial Position.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Operating leases

Costs in respect of operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Value Added Tax

Adra is registered for VAT. A large portion of its income including rental receipts is exempt for VAT purposes. Where VAT is not recoverable, the expenditure for these activities is shown in the accounts inclusive of VAT. Adra benefits from the VAT Shelter relief that is available to it, and so major repairs expenditure is shown exclusive of VAT.

Provisions

Provisions are recognised where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the Consolidated Statement of Comprehensive Income and credited to the Consolidated Statement of Financial Position based upon Adra's best estimate of potential liabilities.

Pensions

Adra participates in three pension schemes:

The **Local Government Pension Scheme (LGPS)** is a defined benefits scheme managed by Gwynedd Council. Contributions are assessed in accordance with the advice of an independent qualified actuary. Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS Scheme are disclosed in accordance with Section 28 of FRS102 – Employee Benefits.

The **Social Housing Pension Scheme (SHPS)** and the **People's Pension** are defined contribution schemes. Contributions are charged to the Consolidated Statement of Comprehensive Income based on the actual payments made to the schemes in the form of employer contributions.

Service charges

Adra operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are levied, 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 Consolidated 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 Consolidated Statement of Financial Position within long term creditors.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 3. The related support costs are matched against this income in the same note.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Consolidated Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account

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for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which the redemption took place.

Taxation

Adra has charitable status and is therefore not liable for Corporation Tax on its charitable activities.

Stock Transfer Obligation

When the housing stock was transferred in 2010, Adra entered into an agreement to purchase the properties from Gwynedd Council and to carry out improvement works on those properties. The outstanding commitments from this agreement net off to zero, and the Housing SORP 2018 requires the gross values of these obligations to be recognised. The Consolidated Statement of Financial Position therefore shows the related assets and liabilities as debtors and creditors, split into obligations falling due within one year and due after more than one year. (See also notes 10, 12 & 13.)

Given that these assets and liabilities match, their recognition makes no difference to the net current assets / liabilities figure, nor to the Consolidated Statement of Financial Position total.

Adra continues to invest in improvement works on its housing properties, and so the stock transfer obligation decreases annually.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method,

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- (a) The best evidence of fair value is a quoted price in an active market.
- (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- (c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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Investment properties are recognised initially at cost and subsequently held at fair value. Any gains or losses arising from changes in the fair value are recognised in the Consolidated Statement of Comprehensive Income in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. TURNOVER, OPERATING COSTS AND SURPLUS

	2021			2020		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (Note 3)	37,375	(25,950)	11,425	36,044	(26,424)	9,620
OTHER SOCIAL HOUSING ACTIVITIES						
Development costs written off	-	(18)	(18)	-	(33)	(33)
NON-SOCIAL HOUSING ACTIVITIES						
Other Residential Letting	84	(85)	(1)	-	-	-
Lettings of Shops and Other Land	155	(34)	121	150	(36)	114
Letting of Garages to Non-Tenants	180	(59)	121	193	(75)	118
Leaseholders	30	(30)	-	27	(27)	-
Association Total	37,824	(26,176)	11,648	36,414	(26,595)	9,819
Medra Subsidiary	-	(35)	(35)	-	(19)	(19)
Consolidated Total	37,824	(26,211)	11,613	36,414	(26,614)	9,800

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2021				2020			
	General Housing	Supported Housing	Other Social Housing Letting Income	Total	General Housing	Supported Housing	Other Social Housing Letting Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME					Reclassified	Reclassified		
Rents receivable net of identifiable service charges and net of voids	29,225	1,320	63	30,608	28,683	1,358	21	30,062
Service charge income	549	174	-	723	457	177	1	635
Rents receivable	29,774	1,494	63	31,331	29,140	1,535	22	30,697
Supporting People	-	335	-	335	-	331	-	331
Revenue Grants Received	4,687	241	-	4,928	4,081	213	-	4,294
Capital Grants Applied	377	-	-	377	241	-	1	242
Miscellaneous Income	384	20	-	404	456	24	-	480
TURNOVER FROM SOCIAL HOUSING LETTINGS	35,222	2,090	63	37,375	33,918	2,103	23	36,044

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

OPERATING EXPENDITURE

Service charge costs	(1,738)	(89)	-	(1,827)	(1,855)	(97)	(1)	(1,953)
Management	(7,746)	(398)	(39)	(8,183)	(8,253)	(431)	(3)	(8,687)
Routine maintenance	(6,186)	(87)	(1)	(6,274)	(5,100)	(91)		(5,191)
Planned maintenance	(3,049)	(36)	(3)	(3,088)	(4,102)	(41)		(4,143)
Rent losses from bad debts	(212)	(11)	-	(223)	(212)	(11)		(223)
Depreciation of Housing Properties	(5,708)	(356)	(87)	(6,151)	(5,560)	(339)	(12)	(5,911)
Other Expenditure	(194)	(10)		(204)	(300)	(16)		(316)
TOTAL OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS	(24,833)	(987)	(130)	(25,950)	(25,382)	(1,026)	(16)	(26,424)
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	10,389	1,103	(67)	11,425	8,536	1,077	7	9,620
Void Losses – Properties	624	89	-	713	436	21	-	457
Void Losses – Garages & Shops	222	0	-	222	237	0	-	237
Void Losses - Total	846	89	-	935	673	21	-	694

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
a. Interest Payable and Similar Charges				
On Loans	2,907	3,096	2,907	3,096
Capitalised Interest	(405)	-	(405)	-
Non-Utilisation Fees	123	109	123	109
Net Charge on Pension Scheme Obligations	118	152	118	152
TOTAL	2,743	3,357	2,743	3,357
b. Interest Receivable and Similar Income				
On Investments	19	20	19	20
TOTAL	19	20	19	20
c. Loan Finance Costs	92	92	92	92
d. Loan Breakage Costs – Mark to Market Costs	-	20,943	-	20,943

5. SURPLUS FOR THE YEAR

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
The operating surplus for the year is stated after charging:				
Auditor's Remuneration – in their capacity as auditors	22	18	21	18
Operating Lease Payments	241	616	241	616
Depreciation of Housing Properties	6,151	5,913	6,151	5,913
Depreciation of Garages	2	2	2	2
Depreciation of Other Assets	531	259	531	259

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. TANGIBLE FIXED ASSETS (HOUSING)

Consolidated	Affordable			Shared Ownership		Total
	Housing Properties Held for Letting	Assets Under Construction	Component Work in Progress	Housing Properties Held for Letting	Assets Under Construction	
	2021	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Cost					Reclassified	Reclassified
At Beginning of Year	184,138	16,141	3,380	-	62	203,721
Disposals	(115)					(115)
Transfer to Completed Works	28,060	(22,302)	(5,758)	472	(472)	-
Additions		28,216	6,586	-	447	35,249
Cost at End of Year	212,083	22,055	4,208	472	37	238,855
Depreciation and Impairment						
At Beginning of Year	37,390	-	-	-	-	37,390
Disposals	(40)					(40)
Charge for the Year	6,154					6,154
At End of Year	43,504	-	-	-	-	43,504
Net Book Value:						
At End of Year	168,579	22,055	4,208	472	37	195,351
At Beginning of Year	146,748	16,141	3,380	-	62	166,331

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Assets Under Construction represent new build properties under construction and Work in Progress represents improvement works in progress.

4,040 properties are pledged as security to lenders as part of Adra's funding arrangements.

Association	Affordable			Shared Ownership		Total
	Housing Properties Held for Letting	Assets Under Construction	Component Work in Progress	Housing Properties Held for Letting	Assets Under Construction	
	2021	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Cost					Reclassified	Reclassified
At Beginning of Year	184,138	16,129	3,380	-	62	203,709
Disposals	(115)					(115)
Transfer to Completed Works	28,060	(22,302)	(5,758)	472	(472)	-
Additions		28,193	6,586	-	447	35,226
Cost at End of Year	212,083	22,020	4,208	472	37	238,820
Depreciation and Impairment						
At Beginning of Year	37,390	-	-	-	-	37,390
Disposals	(40)					(40)
Charge for the Year	6,154					6,154
At End of Year	43,504	-	-	-	-	43,504
Net Book Value:						
At End of Year	168,579	22,020	4,208	472	37	195,316
At Beginning of Year	146,748	16,129	3,380	-	62	166,319

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

7. OTHER TANGIBLE FIXED ASSETS

Consolidated and Association	Offices	Vehicles	IT, and Office Equipment	Furniture	Total 2021
	£'000	£'000	£'000	£'000	£'000
Cost					
At Beginning of Year	306	1,317	2,237	-	3,860
Additions		680	279	5	964
Disposals	(87)	(24)	(102)		(213)
Cost at End of Year	219	1,973	2,414	5	4,611
Depreciation					
At Beginning of Year	139	111	1,567	-	1,817
Charge for the Year	10	348	173	-	531
Disposals	(21)	(6)	(100)		(127)
At End of Year	128	453	1,640	-	2,221
Net Book Value					
At End of Year	91	1,520	774	5	2,390
At Beginning of Year	167	1,206	670	-	2,043

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8. INVESTMENT PROPERTIES

Consolidated and Association

	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
	Commercial	Market Rent Completed	Market Rent Under Construction	Total
At the start of the year	450	-	-	450
Additions	-	-	8,373	8,373
Transfer to completed Works	-	5,967	(5,967)	-
Change in Recognised Value	(5)	-	-	(5)
TOTAL	445	5,967	2,406	8,818

Commercial and Market Rent Completed properties have been valued by the following external valuers:

Prys Jones & Booth is a niche practice, that has provided valuation support to Registered Social Landlords and the wider housing sector for over 25 years. The business was formed in 1974 by D Prys Jones FRICS as Valuers, Estate Agents and Auctioneers, in Abergele. Prys Jones & Booth is a firm regulated by the Royal Institution of Chartered Surveyors.

David Ellis BSc Hons. MRICS, Registered Valuer. Chartered Surveyor and Registered Valuer, owner at Williams Ellis Chartered Surveyors. Specialising in valuations of residential and commercial property in North West Wales. Regulated by the Royal Institute of Chartered Surveyors. Valuer registration is the quality assurance mechanism that monitors all registered RICS members who carry out Red Book valuations and ensures consistent standards.

9. STOCK

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
	Reclassified		Reclassified	
Properties for Sale	416	50	416	50
Repairs and Maintenance Materials	106	93	106	93
TOTAL	522	143	522	143

Prior Year figures have been reclassified to transfer £50K relating to Shared Ownership first tranche amounts from fixed assets to stock.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. DEBTORS

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Debtors Due Within One Year:				
Arrears of Rent and Service Charges	1,777	1,693	1,777	1,693
Less: Provision for Bad Debts	(949)	(753)	(949)	(753)
	828	940	828	940
Other Debtors and Prepayments	5,416	5,039	5,416	5,039
Grants Receivable	62	59	62	59
Welsh Government Loans	2,957	-	2,957	-
Amounts due from subsidiary company	-	-	59	6
Stock Transfer Obligation	9,500	9,000	9,500	9,000
TOTAL	18,763	15,038	18,822	15,044
Debtors Due After One Year:				
Stock Transfer Obligation	35,592	42,620	35,592	42,620
Amounts due from subsidiary company	-	-	90	30
Grants Receivable	3,235	3,297	3,235	3,297
TOTAL	38,827	45,917	38,917	45,947

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11. CASH AND CASH EQUIVALENTS

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank Deposits				
Instant Access Deposit Accounts	15,218	4,518	15,218	4,513
Current Bank Account and Cash in Hand	88	28	28	28
TOTAL	15,306	4,546	15,246	4,541

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade creditors	2,407	1,551	2,407	1,551
Accruals and deferred income	3,003	2,004	3,003	2,004
Rent and Service Income Received in Advance	608	482	608	482
Land for Housing Loan	544	300	544	300
Deferred capital grant (Note 13a)	477	293	477	293
Miscellaneous	27	12	27	12
Stock Transfer Obligation	9,500	9,000	9,500	9,000
TOTAL	16,566	13,642	16,566	13,642

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13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans not Repayable by Instalments:				
Revolving Loans	-	-	-	-
Between 1 and 2 Years	800	544	800	544
Between 2 and 5 Years	-	-	-	-
Over 5 Years	122,957	95,000	122,957	95,000
Other long-term Creditors	123,757	95,544	123,757	95,544
Finance Costs	(850)	(941)	(850)	(941)
	122,907	94,603	122,907	94,603
Deferred capital grant (Note 13a)	37,254	27,252	37,254	27,252
Recycled Capital Grant Fund (Note 13b)	1,009	-	1,009	-
Capital Replacement Costs	191	61	191	61
Stock Transfer Obligation	35,592	42,620	35,592	42,620
Total	196,953	164,536	196,953	164,536

Loans are secured by specific charges on the association's housing properties and land. The loans are repayable at varying rates of interest and are due to be repaid between 2021 and 2052.

The profile of the loans due after more than one year as at 31 March 2021 was:

Total Loans £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
124,301	-	124,301	2.75	21.00

The Group had undrawn facilities of £35m as at 31 March 2021.

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13a. DEFERRED CAPITAL GRANT

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At the start of the year	27,545	18,604	27,545	18,604
Grant received in year *	10,566	9,183	10,566	9,183
Released to income	(379)	(242)	(379)	(242)
At the end of the year	37,732	27,545	37,732	27,545

Creditors:

Amount due to be released < 1 year	477	293	477	293
Amount due to be released > 1 year	37,254	27,252	37,254	27,252
	37,732	27,545	37,732	27,545

* All grants received during 2021 were provided by the Welsh Government in the form of Social Housing Grant, Housing Finance Grant 2 and Rent to Own Grants for New Build schemes.

13b. Recycled Capital Grant Fund

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Opening Balance	-	-	-	-
Grant Received within the year	1,009	-	1,009	-
Recycled to Development	-	-	-	-
Closing Balance	1,009	-	1,009	-

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14. NON-EQUITY SHARE CAPITAL

	Consolidated		Association	
	Reclassified		Reclassified	
	2021	2020	2021	2020
Shares of £1 each, fully paid and issued at par	£	£	£	£
At 1 April	45	47	45	47
Shares Issued During the Year	2	2	2	2
Resignations During the Year	(3)	(4)	(3)	(4)
At 31 March	44	45	44	45

15. CAPITAL COMMITMENTS

	Consolidated		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	43,869	25,902	43,869	25,902
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	10,374	13,201	3,737	13,198
TOTAL	54,243	39,103	47,606	39,103
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<u>Anticipated financing sources:</u>				
Committed loan facilities	41,826	23,948	35,189	23,945
Welsh Government Social Housing Grant	9,362	11,351	9,362	11,351
Welsh Government - Rent to Own Grant	3,055	3,804	3,055	3,804
TOTAL	54,243	39,103	47,606	39,100

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16. PENSION

Adra participates in three pension schemes:

Local Government Pension Scheme (LGPS)

The Gwynedd Council pension scheme is a defined benefit scheme based on final pensionable salary. Certain Adra employees participated in the scheme prior to the stock transfer and as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 12 April 2010. As part of the transfer agreement, liability for the proportion of the debt attributable to these employees that relates to the pre-transfer period rests with Gwynedd Council. The gains and losses recognised by Adra therefore relate solely to the transfer period.

The most recent valuation as at 31st March 2021 was carried out by independent actuaries to the scheme to reflect the requirements of FRS102 in order to assess the liabilities of the fund at 31st March 2021. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. Adra's contribution rate from 1st April 2020 to 31st March 2021 was 17.9% of members' pensionable pay. (17.0% in 2019/20)

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

Average Future Life Expectancy at Age 65	Males	Females
Current Pensioners	21.5 years	23.9 years
Future Pensioners	22.7 years	25.9 years
	% per annum	% per annum
	2021	2020
Pension Increase Rate	2.80%	1.80%
Salary Increase Rate	3.10%	2.10%
Expected Return on Assets	2.05%	2.30%
Discount Rate	2.05%	2.30%

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	% per annum 2021	Market Value 2021 £'000	% per annum 2020	Market Value 2020 £'000
Expected Return on Assets				
Equities	2.05%	21,100	2.3%	16,272
Bonds	2.05%	0	2.3%	0
Property	2.05%	2,345	2.3%	2,199
Cash	2.05%	5,861	2.3%	3,518
		29,306		21,989

The following amounts were measured in accordance with the requirements of FRS102:

	2021 £'000	2020 £'000
Fair Value of Employer Assets	29,306	21,989
Present Value of Defined Benefit Obligation	(41,127)	(26,707)
Total Scheme (Liability)	(11,821)	(4,718)

The movement in the net surplus is as follows:

	2021 £'000	2020 £'000
Contributions Paid	1,025	976
Current Service Costs	(1,844)	(2,274)
Past Service Costs	-	(90)
Sub-total	(819)	(1,388)
Interest Cost on Defined Benefit Obligation	(632)	(669)
Interest Income on Plan Assets	514	517
Actuarial Gain / (Loss)	(6,166)	2,233
Net Movement in Year	(7,103)	693

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	2021	2020
	£'000	£'000
Net (Liability) at Start of Year	(4,718)	(5,411)
Net Movement in Year	(7,103)	693
Net (Liability) at Year End	(11,821)	(4,718)

Social Housing Pension Scheme (SHPS)

Adra also offers a Defined Contribution scheme via SHPS. The scheme had 127 active members as at 31 March 2021. Employer contributions in the year totalled £178,199. As this is a defined contribution scheme, Adra's liability is limited to the value of the contributions made.

The People's Pension

Adra operates a Defined Contribution for 5 employees that transferred to Adra via a TUPE undertaking. Employer contributions in the year totalled £4,573. As this is a defined contribution scheme, Adra's liability is limited to the value of the contributions made.

17. KEY MANAGEMENT PERSONNEL REMUNERATION

Consolidated and Association	2021	2020
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors	55,832	44,041
The aggregate emoluments paid to or receivable by executive Directors and former Directors	564,803	554,750
The emoluments paid to the highest paid Director excluding pension contributions	151,557	149,025
The aggregate amount of any compensation paid to Directors or former Directors during the year of account.	-	-
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	-	-

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The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director. - -

Adra started paying its Non-Executive Directors (Board Members) in January 2019. Based on advice from independent consultants and sector comparisons, the annual remuneration levels for eligible Board members was set as £9,000 for the Chair, £5,000 for the Vice-Chair and Committee Chairs, and £4,000 for all other members.

The Chief Executive is an ordinary member of the pension scheme. The Chief Executive's pension is a defined benefit scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Key management personnel are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team or its equivalent.

18. EMPLOYEE INFORMATION

Consolidated and Association	2021		2020	
The number of persons employed during the year expressed in full time equivalents (37 hours per week) was:	Number	Average Number	Number	Average Number
Office staff	210	200	197	192
Manual Staff	106	96	95	89
Wardens, caretakers & cleaners	7	6	7	7
TOTAL	323	302	299	288

	2021	2020
	£'000	£'000
Wages and Salaries	9,173	8,979
Social Security Costs	876	844
Pension Costs	1,197	1,119
LGPS Pension Movement (Note 17)	819	1,388
TOTAL	12,065	12,330

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Number of key management personnel whose remuneration (i.e. including pension) exceeded £50,000 in the period:

	Number	
	2021	2020
£ 70,001 to £ 80,000	-	1
£ 80,001 to £ 90,000	-	1
£110,001 to £120,000	1	1
£120,001 to £130,000	1	1
£150,001 to £160,000	1	-
£160,001 to £170,000	-	1
£170,001 to £180,000	1	-

19. ANALYSIS OF CHANGES IN NET DEBT

Consolidated and Association	At the Start of the Year £'000	Cash Flows £'000	Non-Cash Movements £'000	At the End of the Year £'000
Cash and Cash Equivalents	4,546	10,760	-	15,306
Loans Due in One Year	(300)	(244)	-	(544)
Loans Due after One Year	(95,544)	(28,213)	-	(123,757)
	(91,298)	(17,697)	-	(108,995)

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20. OPERATING LEASES

Adra holds properties, vehicles and office equipment under non-cancellable operating leases. As at 31 March 2021, commitments of future minimum lease payments were:

Consolidated and Association	2021		2020
	£'000	£'000	£'000
Land and buildings:			
Within the next year	158		158
In the second to fifth years	622		629
In more than five years	262		419
		1,042	1,206
Others:			
Within the next year	-		116
In the second to fifth years	-		-
In more than five years	-		-
		-	116
		1,042	1,322

21. TAXATION STATUS

The Association has charitable status.

22. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

Consolidated and Association	2021	2020
Under management at end of year:	Number	Number
		Reclassified
General Needs including Intermediate	6,112	6,009
Supported housing	314	314
Shared Ownership	7	0
Rent to Own	36	9
Market Rent	25	0
Managed on behalf of others	5	0
Sub-total - under management	6,499	6,332
Under development at end of year	403	246
Total	6,894	6,578

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Comparative figures have been reclassified to separately disclose Rent to Own properties.

23. RELATED PARTY TRANSACTIONS

At the year end, the Association's Rules provide for a flexible Board size of between 9 and 12 Board Members (not including Co-optees). The Rules provide that two Members of the Board shall be Tenant Board Members, and also state that up to 24% shall be nominated by the Local Authority – with the remainder being Independents. At the year end, the Board comprised of 2 Councillors, 1 Tenant and 7 Independent Members.

Each tenant member has a normal protected tenancy agreement and they were not able to use their position to obtain any advantage

Total rent charged to tenant Board members in 2020/21 was £8,407 (2020: £9,829). There were no arrears on their tenancies at the reporting period end. (2020: nil).

The transactions that occurred between Gwynedd Council and Adra during the year to 31st March 2021 are summarised as follows:

Invoices received from Gwynedd Council for services provided under normal commercial terms: £511,104 of which £46,755 (under normal 30 days payment terms) was outstanding as at 31st March 2021.

Invoices sent under normal commercial terms to Gwynedd Council totalled £476,055 (mainly in respect of Supporting People income and contributions towards capital works) with £317,216 owing to Adra as at 31st March 2021. A further £13,156,318 was received from Gwynedd Council for Housing Benefit contributions to 31st March 2021.

24. GRANT AND FINANCIAL ASSISTANCE

Consolidated and Association

The total accumulated government grant and financial assistance received or receivable at 31 st March 2021	Social Housing Grant / HFG2 / RTO	Energy Efficiency and Regeneration	Supporting People	Other
	£'000	£'000	£'000	£'000
Held as deferred capital grant	37,760	1,044	-	-
Recognised as income in Consolidated Statement of Comprehensive Income in year	(752)	(321)	335	-
	37,008	723	335	0

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25. GROUP UNDERTAKINGS

To help facilitate the growth of the services offered by Adra, (including services that may be outside the core charitable objectives) the wholly owned subsidiary “Medra” has been incorporated. Appropriate permissions were sought from the Welsh Government, and Medra was registered with Companies House in April 2017.

Further set-up work was undertaken in 2020/21 and Medra’s first two schemes of homes for market sale were approved. Some costs were incurred which are reflected in the Group Financial Statements presented here. The separate Medra 2020/21 Financial Statements will be filed with Companies House and Medra will start developing the first two approved schemes in 2021/22.