

Adra

Adra (Tai) Cyfyngedig

Group Financial Statements

For year ended March 2023



ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

ADRA Group
CONSOLIDATED REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

Hywel Eifion Jones (Chair)

Sasha Davies (Vice-Chair)

Mark Jones

Robert Lewis

Berwyn Parry Jones (Retired July 2022)

Lynn Rowlands (Retired December 2022)

Cai Larsen

Selwyn Hayward (Retired September 2022)

Huw Gareth Pritchard

William Nixon

Sharyn Williams

Dawn Jones (Appointed July 2022)

Gwenda Crawford (Co-opted Member)

Denise Stone (Co-opted Member)

Dafydd Edwards (Co-opted Member – Appointed September 2022)

Secretary and Registered Office

Aled Davies

Ty Coch

Llys y Dderwen, Parc Menai

Bangor, Gwynedd, LL57 4BL

Executive Officers

Ffrancon Williams - Chief Executive (Retired May 2023)

Iwan Trefor Jones – Deputy Chief Executive (Appointed as Chief Executive May 2023)

Sarah Schofield – Director of Customers & Communities

Rhys Parry – Director of Resources

External Auditors

Beever and Struthers

One Express

1 George Leigh Street

Manchester M4 5DL

Internal Auditors

Mazars

First Floor, Two Chamberlain Square

Birmingham

B3 3AX

Bankers

Barclays Bank plc

One Snowhill

Queensway

Birmingham B3 2WN

Financial Advisors

Chatham Financial

12 St James's Square

London

SW1A 4LB

Funders

Barclays Bank plc (to January 2023), National Westminster Bank plc, Lloyds Bank plc (from December 2022), BAE Systems Pension Funds CIF Trustees Limited and 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.

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Strategic Report
for the year 1 April 2022 to 31 March 2023

The Board of Adra (Tai) Cyfyngedig presents this report and the audited financial statements for the year 1 April 2022 to 31 March 2023. 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 owns and 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 provides homes at social rent, intermediate rent, market rent, 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 2023, Adra owned and managed **6,891 properties** including 314 Sheltered Housing for older tenants. Our Corporate Plan 2022/25 sets a target for new home completions March 2025 which has recently been revised to 750 in response to prevailing economic conditions. 118 new homes were completed during 2022/23 bringing the total new homes completed since 2015 to 798.

For the year ending 31 March 2023, Adra's turnover was **£42.9m** (2022: £40.1m), the surplus for the year was **£5.2m** (2022: £9.8m) **349** staff were employed (2022: 332).

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** for the period **2022 – 2025** provides the strategic direction for the group, and has the **Vision**:

"to deliver excellent services to our customers, invest in our existing homes, and build more high quality, low carbon affordable homes."

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The plan highlights our three **core values** as a business to support this vision, namely:

- **Ambitious**
- **Open & Fair**
- **Trusted**

Over the 3-year lifespan of the plan we have identified five **Priority Areas** to guide our activity, namely:

- 1) Providing an excellent Customer Experience
- 2) Providing Quality Homes to be Proud Of
- 3) Decarbonising our Homes
- 4) Supporting People and Communities to Thrive
- 5) Strengthening our Business

The full plan can be seen at: [Our 2022 -2025 Corporate Plan - Adra](#)

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 regulatory 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 point 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.

A revised Regulatory Framework was published in 2022, and Adra was assessed against this revised framework. The Regulatory Judgement published by the Welsh Government in October 2022 gave a 'Compliant – Green' status (i.e. the highest rating) for both 'Governance and Tenant Services'; and 'Financial Viability'. The Judgement noted:

- Governance and Tenant Services: "The Association meets the regulatory standards and will receive routine regulatory oversight"

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- Financial Viability: “The Association meets the regulatory standards and will receive routine regulatory oversight”

The Regulatory Judgement is available at the ‘Regulation’ section of Adra’s website: <https://www.adra.co.uk/en/about-us/our-performance/regulation/>

Financial Performance

The 2022/23 financial results exceeded business plan targets and showed a surplus on ordinary activities of £5.2m. Adra managed to contain costs, and continuous growth has generated additional income, e.g. from the new homes under management. The result includes the £4.1m dowry from the Welsh Government which is reinvested in Adra’s properties.

Tangible fixed assets were £299.7m at year-end, being mainly the cost of capitalised new properties and current housing improvements. Net current assets were £26.2m. Cash balances were £10.7m, and the recognised asset value on the local government pension scheme fund was £311k. Total year-end reserves were £85.9m, mainly being housing properties/improvements, less the long-term funding of those works plus cash and other current assets.

Adra has total borrowing facilities of £219.3m. At year-end £154.3m had been drawn as follows:

- Term Loan from Nat West Bank totalling **£45.0m** - repayable in December 2029.
- Private Placement facilities totalling **£105.0m** – repayable in the period 2048 – 2052.
- Welsh Government variable rate loan totalling **£0.360m** - repayable before 2028.
- Welsh Government fixed rate loans totalling **£2.957m** – repayable in 2041.
- Welsh Government fixed rate loan totalling **£1.0m** – repayable in 2025.

Assets

As at 31 March 2023, Adra owned and managed **6,891 properties** with over 550 further to be built by March 2024.

Investment in our housing stock continued during the year and the WHQS standard was maintained. Since inception in 2010, £186m has been spent, with a further £12m invested in 2022/23. In addition, £44.6m was spent on new build schemes.

Rents

Adra must ensure that its social rents comply with the Welsh Government’s policy on Social Housing Rents. The policy takes into consideration recommendations made within two reports commissioned by Welsh Government: Independent Affordable Housing Supply

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Review which places the tenant and affordability at the heart of their recommendations; and the Herriot Watt Welsh Government social rent policy review.

The policy became operational from 2020/21 and allows an annual rental uplift of up to CPI+1% each year for 5 years from 2020/2021 to 2024/2025. The Minister for Climate Change however has the right to intervene if Consumer Price Index (CPI) is above 3% or below 0%.

After a detailed exercise to assess affordability, and in line with the Minister's notification that the maximum annual rent uplift would be CPI only for 2022/23, Adra increased 2022/23 rents by 3.1%. (CPI level as at September 2021.) This resulted in an average weekly rent increase from £95.09 in 2021/22 to £98.04 in 2022/23, and total rent charged of £35.5m.

Shared Ownership Sales

Adra's first shared ownership properties became available in 2021/22, and 9 such properties were occupied by March 2023. One property completed staircasing from 30% ownership to 65% ownership in July 2022. The proportion of first tranche sales range between 25% and 75%.

Efficiency and Value for Money

Promoting Efficiency and Value for Money (VFM) is one of Adra's fundamental principles. The Corporate Plan 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."*

A full review of Adra's VFM Strategy was undertaken in 2022/23, with the Board approving a new, revised strategy for the five-year period 2022 – 2027 in December 2022. One of the foundation blocks for delivering Adra's corporate vision is our approach to VFM. In terms of money spent, VFM is not always about paying the lowest price for goods and services, it is about making sure that all money spent delivers efficient, quality outcomes.

Our vision for VFM is *"to achieve quality services for tenants at the best possible price, allowing the redirection of resources to services that deliver most customer impact."*

As well as our Corporate Plan, VFM underpins many of our key strategies such as our Development Strategy, Decarbonisation Strategy and the Commercial Strategy. One workstream of the latter aims to minimise business expenditure on external 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

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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.

One of our commitments by 2025 within our corporate plan is to increase our impact on the local economy. By the end of 2022/23 an economic impact of **£1.98 for every £1 spent** had been achieved on large-scale contracts.

Social Value

There has been an increased focus over the last year in respect of ensuring that our business activity maximises the Social Value and the impact that our investments make. This has been driven by the new Social Value Co-ordinator post and teams across the company.

Social Value has been embedded into the procurement process and ensures that where relevant, social value accounts for 10% of the overall evaluation criteria for all contracts valued at over £50,000. Social Value tender questions are designed during the planning phase to ensure that our corporate priorities are met e.g. supporting our tenants and people that live within our communities to gain access to employment & training. The Social Value Co-ordinator has ensured that the excellent work carried out by Adra staff and our partners - be that through our investments or through our community work, is showcased and shared internally and externally.

Our Social Value system, Thrive, has been fully implemented and has enabled us to calculate the Social Value generated via partnership working and via our procurement activities – this came to **£5.75m** in 2022/23.

Sustainability Reporting Standard

Adra was 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 has been 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 over 120 organisations to have signed up to the SRS as either adopters or endorsers. A significant amount of these are the major lenders or investors to Housing Associations. 2022/23 saw us publish our second Sustainability Report, in October 2022, which is available [here](#)

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Operational Review

As an established social landlord, Adra is committed to continually improving its business and the services provided to customers, and the 2022/25 Corporate Plan sets out our customer centric model, supported by a roadmap for continued growth and service improvement.

Adra's financial and business planning model meant that we were well placed for the challenges of the turbulent economic conditions following Covid-19, the exit from the EU, the cost-of-living crisis and the invasion of Ukraine. Despite all these economic uncertainties, Adra has been able to continue to grow and to provide stability for its tenants, partners, and communities.

Key 2022/23 achievements included:

Homes

As well as maintaining compliance with the Welsh Housing Quality Standard (WHQS), Adra continued to invest in existing homes during 2022/23. Adra continued its journey towards decarbonising the housing stock, guided by our **Decarbonisation Strategy** and **Asset Management Strategy**. During 2022/23, Adra spent over £2.1m on energy efficiency measures – 321 properties in total received either External Wall Insulation (EWI), Roof Insulation, and/or new Windows. This reflects Adra's "fabric first" approach to decarbonisation of our properties and ensures the suitability of properties to receive retrofitting of new technology carbon reducing measures over the next few years.

Adra is already realising the benefits of the "fabric first" approach to energy efficiency resulting in a 22% reduction in the carbon footprint and heating cost of properties that have received improvement works over the last 3 Years.

Optimised Retrofit Programme

Adra is nearing the completion of "fabric first" work on a further 74 properties that attracted ORP 2.1 funding of £870k. Furthermore, Adra has attracted £1.2M in relation to Year1 funding of ORP3.

New Development

Adra completed **118 additional homes** in 2022/23, with over 85% being EPC rated 'B' and above.

Adra is a key partner for many housing developers across North Wales and had 20 'live' sites (569 homes) under development at the end of March 2023.

These schemes keep Adra on track to achieve our target of completing 750 new homes during the three-year corporate plan period 2022-2025. The Adra Group's first market sale scheme will be developed in 2023/24 at Hayfield, Buckley via the subsidiary, Medra.

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Affordable Homes

In recognition of the differing needs of our communities to access safe, quality, and affordable housing options in recent years Adra has expanded its rental options. At the end of March 2023, Adra provided 6,191 general needs properties (social rent), 212 intermediate rent properties, 314 supported housing properties, 63 market rent properties, 97 rent to own properties and 9 shared ownership properties.

Supporting our partners in health

Our commitment to supporting the Betsi Cadwaladr University Health Board (BCUHB) continued during 2022/23 through our innovative partnership agreement to provide affordable high-quality accommodation for overseas nursing staff and other key workers. This agreement saw us letting Adra properties to 36 nurses in the year to March 2023.

Repairs and Maintenance

Adra's in-house workforce (Tîm Trwsio) continued to deliver all repairs and maintenance to our homes and also embarked on delivering part of the capital improvement programme (worth circa £2m) for the Assets Service. Trwsio also completed their first new build properties, namely two, 2-bedroom properties at Garndolbenmaen, Gwynedd at a cost of c£450k.

Tenant satisfaction with the repairs service of 91% exceeded the 90% target in 2022/23. Against a backdrop of a 30% increase in the level of demand, the service completed 19,600 repairs jobs in the year with 94% of customers being satisfied that their repair was completed in good time.

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. 2022/23 saw our compliance performance monitoring increase to include matters relating to damp, mould, and condensation. During 2022/23 92.7% of our customers surveyed responded that they were happy that Adra provides a home that is safe and secure.

Void Strategy and Standard

Our enhanced 'Void Standard' policy increases the investment made in vacant properties when they are being prepared for new tenants, and we spend significantly more than the sector average per empty property. The policy outlines the standard of property the tenant should expect when handed over by Adra. This commitment ensures that we continue to

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deliver high quality, safe homes to those in need, that we minimise the disruption for new tenants, and that the average tenancy length is much longer than our peers.

In addition to this enhanced standard, 2022/23 also saw the turnaround time of empty properties decrease by 15.5 days in comparison to 2021/22.

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 accreditation. This standard assesses organisations using five criteria, namely: 'Customer insight'; 'Culture of the organisation'; 'Information and access'; 'Delivery'; and 'Timeliness and quality of service'. Our work with an external research agency to ask over 125 customers each month about their experience forms a part of our continuous improvement processes.

Services faced increasing challenges during 2022/23 with an increase in adverse economic matters, e.g. the cost-of-living crisis was exacerbated by increasing inflation and interest rates. Our Corporate Plan puts our customers central to all that we do and two of our five main priorities focus on them, either by meeting their expectation of service delivery (Priority 1 - Providing an Excellent Customer Experience) or through additional support (Priority 4 – Supporting People and Communities to Thrive).

Despite the challenges, our staff maintained the high standards expected with a significant proportion (90%) of our customers surveyed stating that they were happy (satisfied or very satisfied) with our front facing services. In addition, our customers also note high levels of trust in us, with nearly 9 out of every 10 surveyed (88%) agreeing that they found us to be trustworthy; this places us higher than the Welsh national average of 77%.

The Housing Regulator for Wales has established twelve 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', 'Service charges paid present value for money', 'The trustworthiness of the organisation', 'The neighbourhood as a place to live', 'The home provided is safe and secure', 'That Adra gives them a say in how services are managed, and 'That Adra gives them an opportunity to participate in decision making'. 2022/23 saw nine (9) of the twelve (12) achieve a customer satisfaction score of **75% or above** with seven (7) achieving higher than the Welsh national average.

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Academi Adra

Priority Area 4 of the Corporate Plan sets out our ambition to ‘Support People and Communities to Thrive’ and is centred on five thematic priorities namely ‘Employment and Skills’, ‘Health and Wellbeing’, ‘Crime and Safety’, ‘Environment’, and ‘Language and Culture’. One of the key vehicles to drive forward changes and support customers to gain meaningful employment of training opportunities is our employment and skills initiative *Academi Adra*.

Our goal is to support 500 people into employment and training between 2022 and 2025. During 2022/23 **134 people** were supported into employment or training; 80 of those were supported via targeted recruitment and training through our contracts; 43 were supported through Academi Adra; 8 were supported with apprenticeships and traineeships within Adra and we appointed 3 of our tenants.

Some of the successes of Academi Adra and its partners in 2022/23 included:

- 6 courses ran in (5 x construction & 1 x customer services)
- 4 people entered full-time employment following the courses (3 at Adra and 1 in construction with a local contractor)
- 1 person gained an apprenticeship with Adra
- 43 people received vocational training
- Social Value of **£298k** was generated

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.

Sustainable procurement

We recognise the potential benefits that our procurement activities can have on 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; this helps increase customer satisfaction and support to the local economy.

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Tŷ Gwyrddfai, Penygroes

Following the signing of a lease on 12,000 ft² of disused factory space in Penygroes, Gwynedd, significant progress has been made on the Adra-led decarbonisation hub “**Ty Gwyrddfai**”. Our new office there has opened, and the hub also serves as a base for our repairs and maintenance team.

The initial work (which was mainly grant funded) involved refurbishing the factory space into a multi-faceted hub to host a series of inter dependent activities to support sustainable and progressive decarbonisation initiatives. The hub will create a competent and ambitious pool of talent to deliver our decarbonisation vision, and will act as a catalyst to deliver sustainable, carbon negative, power generating assets. This will support health and wellbeing and will help local communities thrive.

Ty Gwyrddfai will be our dedicated training facility for low carbon technologies and will facilitate up-skilling for retrofitting and organisational innovation. It will be a place to learn new skills on the latest low carbon heating technologies and the project also involves collaborating with strategic partners, including further and higher education, the private sector and innovative SMEs. This partnership work will help develop innovative solutions where applied research can demonstrate the art of the possible.

Further funding is being sought (from the Shared Prosperity Fund) to enhance the training provision (Grwp Llandrillo Menai are leading on this) and to establish a Living Lab; a joint project with Bangor University that will create an atmospherically controlled testing chamber for decarbonisation and retrofit materials.

2023/24 will see Ty Gwyrddfai becoming fully operational.

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. As at March 2023, **94%** (339 of 362) of Adra staff speak Welsh as a first or second language.

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 3, the Welsh Government’s Regulatory Judgement published in October 2022 confirmed a

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‘Compliant - Green’ status (i.e. the highest rating) for both Governance and Tenant 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 organisation follow Community Housing Cymru’s (CHC’s) Code of Governance – a useful tool to support good governance and continuous improvement.

Adra has recently evaluated its compliance with the latest version of the Code – thereby assessing that good practices are in place or have been considered. The conclusions are that Adra demonstrates compliance with much of the code, and a few improvement actions are noted.

Board and Committee Structure

Adra’s Rules provide for a flexible Board size of between 9 and 12 Members (not including Co-optees). The Rules provide that two Members of the Board shall be Tenant Board Members, that up to 24% of the Board shall be nominated by the Local Authority, with the remaining Board Members being Independents. The Board may additionally appoint up to 3 Co-optees. 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. The Adra Board presently has a strong array of relevant skills, knowledge, and experiences – a recent independent Board skills appraisal raised some points for potential strengthening, and this will be considered during 2023/24. Medra’s Board Members also have strong skills / experience in the areas relevant to Medra’s business – this Board has come down in size in early 2023/24 to reflect the scaling down of Medra activity.

Adra’s governance structure comprises the following Board 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 2014 requires the Board to prepare accounts for each financial year. These accounts must give a true and fair view of the Association’s situation, and of its surplus for that period. In preparing the accounts, the Board must:

- 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.

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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 2014 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.

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 27 Shareholders at the end of 2022/23, with each having a £1 (nominal) Share in Adra. Shareholders can influence Adra's business through voting on Shareholder resolutions, including at General Meetings. All tenants can apply to become Shareholders, and our Rules / Policy govern eligibility.

Gwynedd Council (the relevant Local Authority) holds one non-voting ceremonial Share; and the remaining Board members (excluding Co-opted) 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 influenced by Welsh Government's RSL 02/10 Housing Circular: 'Internal Controls and Reporting'.

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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 April 2022 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 level 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 2022/23 were adverse economic conditions, increased cost of living on tenants, increased costs due to affordability and supply of materials, failure to fulfil decarbonisation programme, changes in Welsh Government rent policy, increased cost of living on staff, failure to recruit and retain staff, and availability of local contractors.

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 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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 the Internal Auditor, who report conclusions to the Audit and Assurance Committee. The Audit and Assurance Committee also undertakes an annual consideration of the effectiveness of the system of internal control and would consider 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 2022/23 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:

Hywel Eifion Jones – Chair

Date: 13 September 2023



ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023 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 2023 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) 2015.

Basis for opinion

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

Conclusions relating to going concern

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.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 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

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 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.

ADRA (TAI) CYFYNGEDIG
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- 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 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
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 28 September 2023

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Consolidated and Association Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	Consolidated	Consolidated	Association	Association
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Turnover	2	42,879	40,065	42,999	40,065
Operating Expenditure	2	(33,500)	(29,424)	(33,435)	(29,307)
Gain / (Loss) on Disposal of Property, Plant & Equipment		(144)	148	(144)	148
Operating Surplus		9,235	10,789	9,420	10,906
Increase / (Decrease) in Valuation of Investment Property	8	13	2,735	13	2,735
Interest Receivable	4	163	3	163	3
Interest and Financing Costs	4	(4,061)	(3,605)	(4,061)	(3,605)
Loan finance issue Costs	4	(134)	(96)	(134)	(96)
Surplus/(Deficit) for the Year		5,216	9,826	5,401	9,943
Taxation	21	0	0	0	0
Surplus/(Deficit) for the Year		5,216	9,826	5,401	9,943
Actuarial Gain / (Loss) in Respect of Pension Schemes	16	9,587	6,807	9,587	6,807
Total Comprehensive Income for the Year		14,803	16,633	14,988	16,750

The association's results relate wholly to continuing activities.

The financial statements on pages 20 to 55 were approved and authorised for issue by the Board on 13 September 2023 and were signed on its behalf by:

Hywel Eifion Jones – Chair



Sasha Davies – Vice Chair



Aled Davies – Secretary



The notes on pages 26 to 55 form an integral part of these accounts.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Consolidated and Association Statement of Changes in Reserves

For the year ended 31 March 2023

	Consolidated	Consolidated	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Balance as at 1 April 2022	71,270	54,572	71,441	54,626
Surplus/(deficit) from Statement of Comprehensive Income	14,803	16,633	14,988	16,750
Depreciation Adjustment		65		65
Reserves used in year	(82)		(82)	
Balance as at 31 March 2023	85,991	71,270	86,347	71,441

The notes on pages 26 to 55 form an integral part of these accounts.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Consolidated and Association Statement of Financial Position as at 31 March 2023

	Note	Consolidated		Association	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Fixed Assets	6, 7, 8	299,712	252,432	299,723	252,432
Current Assets					
Stock	9	1,632	1,926	719	327
Trade and Other Debtors	10	17,365	17,150	17,405	17,797
Debtors: Due After One Year	10	17,126	29,858	18,339	30,921
Cash and Cash Equivalents	11	10,778	12,633	10,777	12,624
Total Current Assets		46,901	61,567	47,240	61,669
Less: Creditors Due Within One Year	12	(20,692)	(17,140)	(20,686)	(17,071)
Net Current Assets		26,208	44,427	26,553	44,598
Total Assets less Current Liabilities		325,921	296,859	326,277	297,030
Creditors: Due After One Year	13	(240,241)	(218,266)	(240,241)	(218,266)
Provision for Liabilities:					
Pension Provision	16	311	(7,323)	311	(7,323)
TOTAL NET ASSETS		85,991	71,270	86,347	71,441
Reserves:					
Non-equity Share Capital	14	-	-	-	-
Income and Expenditure Reserve		85,991	71,270	86,347	71,441
TOTAL RESERVES		85,991	71,270	86,347	71,441

The financial statements on pages 20 to 55 were approved and authorised for issue by the Board on 13 September 2023 and were signed on its behalf by:

Hywel Eifion Jones – Chair Sasha Davies – Vice Chair Aled Davies – Secretary





The notes on pages 26 to 55 form an integral part of these accounts.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2023

	2023		2022	
	£'000	£'000	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)		23,838		20,368
Cash Flow from Investing Activities				
Purchase of Tangible Fixed Assets	(56,612)		(50,744)	
Proceeds from Sale of Tangible Fixed Assets	9		162	
Grants Received	20,558		15,556	
Interest Received	163		3	
		<u>(35,882)</u>		<u>(35,023)</u>
Cash Flow from Financing Activities				
Interest Paid	(3,836)		(3,342)	
Loans and drawdowns received	15,360		26,000	
Repayment of Borrowings	(780)		(10,564)	
Loan Breakage Costs	-		-	
Finance Costs	(555)		(112)	
		<u>10,189</u>		<u>11,982</u>
Net Change in Cash & Cash Equivalents		<u>(1,855)</u>		<u>(2,673)</u>
Cash & Cash Equivalents at Beginning of the Year		12,633		15,306
Cash & Cash Equivalents at the End of the Year		10,778		12,633

ADRA (TAI) CYFYNGEDIG
FINANCAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Free Cash Flows

For the Year Ended 31 March 2023

	2023	2022
	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)	23,838	20,368
Interest paid	(3,836)	(3,342)
Interest received	163	3
Adjustments for reinvestment in existing properties		
Component replacements	(11,505)	(8,561)
Purchase of other replacement fixed assets	(938)	(313)
Component replacement grant received	0	0
Free cash (consumed) / generated before loan repayments	7,722	8,155
Loans repaid (excluding revolving credits and overdrafts)	(780)	(544)
Free cash (consumed) /generated after loan repayments	6,942	7,611

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

	Year Ended		Year Ended	
	31 March 2023		31 March 2022	
	£'000	£'000	£'000	£'000
Surplus for the year		5,216		9,826
Adjustments for Non-Cash Items:				
Depreciation of Tangible Fixed Assets	9,158		7,566	
Revaluation of Investment Property	(13)		(2,735)	
Decrease / (Increase) in stock	259		(1,370)	
Decrease / (Increase) in Trade & Other Debtors	12,517		10,583	
Increase / (Decrease) in Trade & Other Creditors	(8,445)		(8,552)	
Increase / (Decrease) in Provisions	-		-	
Pension Costs less Contributions Payable	1,728		2,046	
Carrying Amount of Fixed Asset Disposals	172		6	
Finance Costs	134		96	
		15,510		7,640
Adjustments for Investing or Financing Activities:				
Proceeds from the Sale of Tangible Fixed Assets	(9)		(162)	
Government Grants Utilised in the Year	(777)		(538)	
Interest Payable	4,061		3,605	
Interest Received	(163)		(3)	
		3,112		2,902
Net Cash Generated from Operating Activities		23,838		20,368

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023. 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 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". 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

ADRA (TAI) CYFYNGEDIG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

- **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. FRS 102 requires that defined benefit plan surpluses are recognised only to the extent that they are recoverable either through reduced contributions in the future or through refunds from the plan. The accounting valuation of the Gwynedd Council Pension Fund at 31 March 2023 identified an accounting surplus of £7.566m. The scheme's actuary has provided a calculation of the economic benefit arising to Adra from reduced contributions in the future. This amounts to £311k. Accordingly, Adra has recognised the plan surplus to this extent, reducing the pension asset by £7.255m, and reducing actuarial gains by the same amount.

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

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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. The annual change in the Bad debt provision is charged to the Consolidated Statement of Comprehensive Income, and the amount to 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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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.

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:

ADRA (TAI) CYFYNGEDIG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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	6 years*
Plant	5 years
IT Equipment	5 to 10 years
Furniture	5 to 7 Years

* Following a review of useful economic life of Adra's vehicle fleet (mainly work vans), it was decided to increase the UEL for the Vehicles category from 5 years to 6 years

Investment property

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income. There are no restrictions on realisation or remittance of income or disposal proceeds.

Stock and Work in Progress

Stock relates to both Adra shared-ownership properties held for sale and to repairs and maintenance materials, while work in progress relates to Medra properties / schemes that are either held for sale or are partially developed. The amounts recognised as work in progress represents the purchase and construction price and any directly attributable costs of acquisition. The directly attributable labour costs that arise directly from the construction or acquisition are recognised as these costs would have been avoided if the property had not been constructed or acquired. Interest costs incurred during the development period is added to the work in progress total based on the net investment and the average borrowing costs during the year.

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Both stock and work in progress are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Stock cost is based on the cost of purchase on a first in, first out basis. At each reporting date, stock and work in progress are 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 Payable

Interest incurred during the development period is capitalised and added to the cost of completed housing properties based on the net investment and its average borrowing costs during the year.

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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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.

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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 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:

ADRA (TAI) CYFYNGEDIG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. TURNOVER, OPERATING COSTS AND SURPLUS

	2023			2022		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (Note 3)	41,845	(33,062)	8,783	38,647	(28,554)	10,093
OTHER SOCIAL HOUSING ACTIVITIES						
First Tranche Shared Ownership Sales	114	(67)	47	680	(457)	223
Development costs written off	-	-	-	-	(78)	(78)
NON-SOCIAL HOUSING ACTIVITIES						
Other Residential Letting	612	(136)	476	390	(98)	292
Lettings of Shops and Other Land	127	(31)	96	155	(36)	119
Letting of Garages to Non-Tenants	153	(55)	98	167	(58)	109
Leaseholders	28	(28)	-	26	(26)	-
Income from Subsidiary	120	(56)	64			
Association Total	42,999	(33,435)	9,564	40,065	(29,307)	10,758
Medra Subsidiary (Consolidation adj.)	(120)	(65)	(185)	-	(117)	(117)
Consolidated Total	42,879	(33,500)	9,379	40,065	(29,424)	10,641

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2023				2022			
	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								
Rents receivable net of identifiable service charges and net of voids	32,605	1,408	635	34,648	30,464	1,324	368	32,156
Service charge income	699	174	18	891	735	173	21	929
Rents receivable	33,304	1,582	653	35,539	31,199	1,497	389	33,085
Supporting People	-	336	-	336	-	348	-	348
Revenue Grants Received	4,690	230	-	4,920	4,123	205	-	4,328
Capital Grants Applied	710	-	67	777	471	-	67	538
Miscellaneous Income	260	13	-	273	331	17	-	348
TURNOVER FROM SOCIAL HOUSING LETTINGS	38,964	2,161	720	41,845	36,124	2,067	456	38,647

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

OPERATING EXPENDITURE

Service charge costs	(2,133)	(105)	(35)	(2,273)	(2,071)	(103)	(29)	(2,203)
Management	(9,644)	(473)	(158)	(10,275)	(8,504)	(424)	(119)	(9,047)
Routine maintenance	(6,166)	(335)	(102)	(6,603)	(5,488)	(150)	(6)	(5,644)
Planned maintenance	(4,215)	()	(66)	(4,281)	(4,260)	(52)	(7)	(4,319)
Rent losses from bad debts	(350)	(17)	-	(367)	(70)	(3)	-	(73)
Depreciation of Housing Properties	(8,112)	(123)	(377)	(8,612)	(6,353)	(364)	(226)	(6,943)
Other Expenditure	(621)	(30)	-	(651)	(310)	(15)	-	(325)
TOTAL OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS	(31,241)	(1,083)	(738)	(33,062)	(27,056)	(1,111)	(387)	(28,554)
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	7,761	1,040	(18)	8,783	9,068	956	69	10,093
Void Losses – Properties	495	17	26	538	582	49	53	684
Void Losses – Garages & Shops	200	-	-	200	210	-	-	210
Void Losses - Total	695	17	26	738	792	49	53	894

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
a. Interest Payable and Similar Charges				
On Loans	4,031	3,560	4,031	3,560
Capitalised Interest	(348)	(346)	(348)	(346)
Non-Utilisation Fees	153	128	153	128
Net Charge on Pension Scheme Obligations	225	263	225	263
TOTAL	4,061	3,605	4,061	3,605
b. Interest Receivable and Similar Income				
On Investments	163	3	163	3
TOTAL	163	3	163	3
c. Loan Finance Costs	134	96	134	96

5. SURPLUS FOR THE YEAR

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
The operating surplus for the year is stated after charging:				
Operating leases – Land and buildings	158	162	158	162
Operating leases – Office equipment	4	6	4	6
Total Operating Lease Payments	162	168	162	168
Auditor's Remuneration – in their capacity as auditors	26	26	21	21
Depreciation of Housing Properties	8,610	6,943	8,610	6,943
Depreciation of Garages	2	2	2	2
Depreciation of Other Assets	545	621	545	621

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6. TANGIBLE FIXED ASSETS (HOUSING) ASSOCIATION

Association	Affordable			Trwsio Work In Progress	Shared Ownership		Total
	Housing Properties Held for Letting	Assets Under Constructio n	Component Work in Progress		Housing Properties Held for Letting	Assets Under Constructio n	
	2023	2023	2023	2023	2023	2023	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At Beginning of Year	257,888	23,719	3,841	0	576	21	286,045
Adj to Note 9 OBal	83				(277)		(194)
Disposals	(397)						(397)
Transfer to Completed Works	26,094	(17,913)	(8,181)				-
Reclassification							
Additions		41,155	11,505	24			52,684
Adj To Note 9	9	(518)			(43)	258	(294)
Adjustment	(12)						(12)
Cost at End of Year	283,665	46,443	7,165	24	256	279	337,832
Depreciation and Impairment							
At Beginning of Year	50,444	-	-		-	-	50,444
Disposals	(225)						(225)
Charge for the Year	8,612						8,612
At End of Year	58,831						58,831
Net Book Value:							
At End of Year	224,834	46,443	7,165	24	256	279	279,001
At Beginning of Year	207,444	23,719	3,841	0	576	21	235,601

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

TANGIBLE FIXED ASSETS (HOUSING) CONSOLIDATED

Association	Affordable			Trwsio Work In Progress	Shared Ownership		Total
	Housing Properties Held for Letting	Assets Under Constructio n	Component Work in Progress		Housing Properties Held for Letting	Assets Under Constructio n	
	2023	2023	2023	2023	2023	2023	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At Beginning of Year	257,888	23,719	3,841	0	576	21	286,045
Adj to Note 9 OBal	83				(277)		(194)
Disposals	(397)						(397)
Transfer to Completed Works	26,094	(17,913)	(8,181)				-
Reclassification							
Additions		41,144	11,505	24			52,673
Adj To Note 9	9	(518)			(43)	258	(294)
Adjustment	(12)						(12)
Cost at End of Year	283,665	46,432	7,165	24	256	279	337,821
Depreciation and Impairment							
At Beginning of Year	50,444	-	-		-	-	50,444
Disposals	(225)						(225)
Charge for the Year	8,612						8,612
At End of Year	58,831						58,831
Net Book Value:							
At End of Year	224,834	46,432	7,165	24	256	279	278,990
At Beginning of Year	207,444	23,719	3,841	0	576	21	235,601

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

4,242 properties are pledged as security to lenders as part of Adra's funding arrangements.

7. OTHER TANGIBLE FIXED ASSETS

Consolidated and Association	Offices	Leasehold Improvements (Under Construction)	Vehicles & Plant	IT, and Office Equipment	Furniture	Total 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At Beginning of Year	219	-	2,264	2,435	6	4,924
Additions		835	60	43		938
Disposals	-		-	-	-	-
Cost at End of Year	219	835	2,324	2,478	6	5,862
Depreciation						
At Beginning of Year	136		861	1,844	1	2,842
Charge for the Year	9		454	193	1	657
Disposals						
Depreciation Adjustment			(110)	-		(110)
At End of Year	145		1,205	2,037	2	3,389
Net Book Value						
At End of Year	74	835	1,119	441	4	2,473
At Beginning of Year	83	-	1,403	591	5	2,082

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

8. INVESTMENT PROPERTIES

Consolidated and Association

	2023 £'000	2023 £'000	2023 £'000	2023 £'000
	Commercial	Market Rent Completed	Market Rent Under Construction	Total
At the start of the year	435	13,672	642	14,749
Additions	-	-	3,487	3,487
Transfer to completed Works	-	2,350	(2,350)	-
Change in Recognised Value	(5)	18	-	13
TOTAL	430	16,040	1,779	18,249

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

- Prys Jones & Booth has provided valuation support to Registered Social Landlords and the wider housing sector for over 25 years. The business was formed in 1974 in Abergele by D Prys Jones FRICS as Valuers, Estate Agents and Auctioneers. 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 of 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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
At the start of the year	59	416	59	416
Adjustment to Note 6 B/fwd	194		194	
Additions		211		211
Properties Sold	(108)	(457)	(108)	(457)
Adjustment to Note 6	294		294	
Reclassified		(111)		(111)
Properties held for Sale	439	59	439	59
Work in Progress	913	1,599		-
Repairs and Maintenance Materials	280	268	280	268
TOTAL	1,632	1,926	719	327

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

10. DEBTORS

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Debtors Due Within One Year:				
Arrears of Rent and Service Charges	2,424	1,866	2,701	1,866
Less: Provision for Bad Debts	(1,313)	(946)	(1,313)	(946)
	1,111	920	1,388	920
Other Debtors and Prepayments	3,999	5,687	3,688	5,634
Grants Receivable	155	66	155	66
Welsh Government Loans	-	1,097	-	1,097
Amounts due from subsidiary company	-	-	74	700
Stock Transfer Obligation	12,100	9,380	12,100	9,380
TOTAL	17,365	17,150	17,405	17,797
Debtors Due After One Year:				
Stock Transfer Obligation	14,066	26,689	14,066	26,689
Amounts due from subsidiary company	-	-	1,213	1,063
Grants Receivable	3,060	3,169	3,060	3,169
TOTAL	17,126	29,858	18,339	30,921

ADRA (TAI) CYFYNGEDIG
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

11. CASH AND CASH EQUIVALENTS

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank Deposits				
Instant Access Deposit Accounts	10,750	12,597	10,750	12,597
Current Bank Account and Cash in Hand	28	36	27	27
TOTAL	10,778	12,633	10,777	12,624

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade creditors	2,725	2,227	2,725	2,227
Accruals and deferred income	3,919	3,177	3,913	3,108
Rent and Service Income Received in Advance	603	763	603	763
Land for Housing Loan	360	780	360	780
Deferred capital grant (Note 13a)	816	736	816	736
Miscellaneous	169	77	169	77
Stock Transfer Obligation	12,100	9,380	12,100	9,380
TOTAL	20,692	17,140	20,686	17,071

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loans not Repayable by Instalments:				
Revolving Loans	-	-	-	-
Between 1 and 2 Years	-	-	-	-
Between 2 and 5 Years	1,000	1,000	1,000	1,000
Over 5 Years	152,958	137,957	152,958	137,957
Other long-term Creditors	153,958	138,957	153,958	138,957
Finance Costs	(1,287)	(867)	(1,287)	(867)
	152,671	138,090	152,671	138,090
Deferred capital grant (Note 13a)	71,746	52,015	71,746	52,015
Recycled Capital Grant Fund (Note 13b)	1,009	1,009	1,009	1,009
Capital Replacement Costs	554	366	554	366
Miscellaneous	195	97	195	97
Stock Transfer Obligation	14,066	26,689	14,066	26,689
Total	240,241	218,266	240,241	218,266

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 2023 and 2049.

The profile of the loans due after more than one year as at 31 March 2023 was:

Total Loans £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
153,958	-	153,958	2.78	20.5

The Group had undrawn facilities of £65m as at 31 March 2023.

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FINANCAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

13a. DEFERRED CAPITAL GRANT

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
At the start of the year	52,751	37,732	52,751	37,732
Grant received in year *	20,588	15,556	20,588	15,556
Released to income	(777)	(537)	(777)	(537)
At the end of the year	72,562	52,751	72,562	52,751

Creditors:

Amount due to be released < 1 year	816	736	816	736
Amount due to be released > 1 year	71,746	52,015	71,746	52,015
	72,562	52,751	72,562	52,751

* All grants received during 2023 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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Opening Balance	1,009	1,009	1,009	1,009
Grant Received within the year	-	-	-	-
Recycled to Development	-	-	-	-
Closing Balance	1,009	1,009	1,009	1,009

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. NON-EQUITY SHARE CAPITAL

	Consolidated		Association	
	2023	2022	2023	2022
Shares of £1 each, fully paid and issued at par	£	£	£	£
At 1 April	31	45	31	45
Shares Issued During the Year	0	2	0	2
Resignations During the Year	4	16	4	16
At 31 March	27	31	27	31

15. CAPITAL COMMITMENTS

	Consolidated		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	51,682	56,492	48,613	56,492
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	-	14,360	-	3,054
TOTAL	51,682	70,852	48,613	59,546
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
<u>Anticipated financing sources:</u>				
Committed loan facilities	47,070	62,049	44,001	50,743
Welsh Government Social Housing Grant	3,212	8,803	3,212	8,803
Welsh Government Rent to Own Grant	1,400	-	1,400	-
TOTAL	51,682	70,852	48,613	59,546

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FINANCAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023 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 2023. 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 2022 to 31st March 2023 was 17.9% of members' pensionable pay. (17.9% in 2021/22).

The valuation as at 31st March 2023 in a net asset value of £7.6m, a further independent asset ceiling test was undertaken to ascertain the amount of the net pension asset that can be recognised in the financial statements.

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	20.8 years	24.6 years
Future Pensioners	22.3 years	25.9 years
	% per annum	% per annum
	2023	2022
Pension Increase Rate	2.95%	3.15%
Salary Increase Rate	3.45%	3.45%
Expected Return on Assets	4.75%	2.75%
Discount Rate	4.75%	2.75%

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FINANCAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	% per annum 2023	Market Value 2023 £'000	% per annum 2022	Market Value 2022 £'000
Expected Return on Assets				
Equities	4.75%	23,701	2.75%	23,855
Bonds	4.75%	0	2.75%	0
Property	4.75%	6,367	2.75%	2,651
Cash	4.75%	5,306	2.75%	6,626
		35,374		33,132

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

	2023 £'000	2022 £'000
Fair Value of Employer Assets	35,374	33,132
Present Value of Defined Benefit Obligation	(27,808)	(40,455)
Asset ceiling restriction	(7,255)	
Total Scheme Asset / (Liability)	311	(7,323)

The Gwynedd Council Pension Fund has a gross accounting surplus at the reporting date of £7.566m. In line with FRS 102 requirements Adra has recognised as asset on the balance sheet to the extent that it is able to recover the surplus, either through reduced contributions in the future, or through refunds from the plan.

The scheme's actuary has provided a calculation of the economic benefit arising to Adra from reduced contributions in the future. This amounts to £311k. Accordingly, Adra has recognised the plan surplus to this extent, reducing the pension asset by £7.255m, and reducing actuarial gains by the same amount.

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The movement in the net surplus is as follows:

	2023	2022
	£'000	£'000
Contributions Paid	1,105	1,061
Current Service Costs	(2,833)	(3,107)
Past Service Costs	-	-
Sub-total	(1,728)	(2,046)
Interest Cost on Defined Benefit Obligation	(1,154)	(872)
Interest Income on Plan Assets	929	609
Actuarial Gain	9,587	6,807
Net Movement in Year	7,634	4,498

	2023	2022
	£'000	£'000
Net (Liability) at Start of Year	(7,323)	(11,821)
Net Movement in Year	7,634	4,498
Net Surplus / (Liability) at Year End	311	(7,323)

Social Housing Pension Scheme (SHPS)

Adra also offers a Defined Contribution scheme via SHPS. The scheme had 161 active members as at 31 March 2023. Employer contributions in the year totalled £268,859. 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 2 employees that transferred to Adra via a TUPE undertaking. Employer contributions in the year totalled £2,814. As this is a defined contribution scheme, Adra's liability is limited to the value of the contributions made.

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17. KEY MANAGEMENT PERSONNEL REMUNERATION

Consolidated and Association	2023	2022
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors	70,141	59,947
The aggregate emoluments paid to or receivable by executive Directors and former Directors	599,328	571,694
The emoluments paid to the highest paid Director excluding pension contributions	159,360	153,078
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.	-	-
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. The annual remuneration levels for eligible Board members was reviewed and set from 1st January 2022 as £9,500 for the Chair, £5,250 for the Vice-Chair and Committee Chairs, and £4,250 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.

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18. EMPLOYEE INFORMATION

Consolidated and Association	2023		2022	
	Number	Average Number	Number	Average Number
The number of persons employed during the year expressed in full time equivalents (37 hours per week) was:				
Office staff	265	226	235	213
Manual Staff	140	117	140	115
Wardens, caretakers & cleaners	6	6	4	4
TOTAL	411	349	379	332

	2023	2022
	£'000	£'000
Wages and Salaries	11,166	10,094
Social Security Costs	1,135	978
Pension Costs	1,374	1,278
LGPS Pension Movement (Note 16)	1,728	2,046
TOTAL	15,403	14,396

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

	Number	
	2023	2022
£110,001 to £120,000	-	1
£120,001 to £130,000	3	1
£150,001 to £160,000	1	1
£160,001 to £170,000	-	-
£170,001 to £180,000	1	1

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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	12,633	(1,859)	-	10,774
Loans Due in One Year	(780)	420	-	(360)
Loans Due after One Year	(138,957)	(15,001)	-	(153,958)
	(127,104)	(16,440)	-	(143,544)

20. OPERATING LEASES

Adra holds properties, vehicles and office equipment under non-cancellable operating leases. As at 31 March 2023, commitments of future minimum lease payments were:

Consolidated and Association	2023		2022
	£'000	£'000	£'000
Land and buildings:			
Within the next year	158		162
In the second to fifth years	585		619
In more than five years	125		125
		868	906
Others:			
Within the next year	4		6
In the second to fifth years	7		11
In more than five years	-		-
		11	17
		879	923

21. TAXATION STATUS

The Association has charitable status.

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22. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

Consolidated and Association	2023	2022
Under management at end of year:	Number	Number
General Needs including Intermediate	6,403	6,303
Supported housing	314	314
Shared Ownership	9	9
Rent to Own	97	80
Market Rent	63	56
Managed on behalf of others	5	5
Sub-total - under management	6,891	6,767
Under development at end of year	569	425
Total	7,460	7,192

23. RELATED PARTY TRANSACTIONS

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 1 Tenant Board Members, 2 Members nominated by the Local Authority, 6 Independent Board Members, plus 3 Co-optees (it is noted that one of the Co-optees is a tenant of Adra).

Each Tenant Member or co-optee who is a Tenant has a normal protected tenancy agreement and they were not able to use their position to obtain any advantage.

Total rent charged to tenants serving on the Board in 2022/23 was £13,785 (2022: £10,401). The total arrears balance was £399 at year end. (2022: £873).

The transactions that occurred between Gwynedd Council and Adra during the year to 31st March 2023 are summarised as follows:

Invoices received from Gwynedd Council for services provided under normal commercial terms: £144,682 of which £7,456 (under normal 30 days payment terms) was outstanding as at 31st March 2023.

Invoices sent under normal commercial terms to Gwynedd Council totalled £304,916 (mainly in respect of Supporting People income and contributions towards capital

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works) with £27,458 owing to Adra as at 31st March 2023. A further £10,640,826 was received from Gwynedd Council for Housing Benefit contributions to 31st March 2023.

24. GRANT AND FINANCIAL ASSISTANCE

Consolidated and Association

The total accumulated government grant and financial assistance received or receivable at 31 st March 2023	Social Housing Grant / HFG2 / RTO	Energy Efficiency and Regeneration	Supporting People	Other
	£'000	£'000	£'000	£'000
Held as deferred capital grant	73,137	1,206	-	-
Recognised as income in Consolidated Statement of Comprehensive Income in year	(1,953)	(390)	336	-
	71,184	816	336	0

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 happened in 2022/23 and it was also agreed that four schemes previously earmarked for Medra would be transferred to Adra. These transfers are reflected in the Group Financial Statements presented here, as are the further set-up costs. Medra retains one scheme of market sale properties to be developed and this scheme started on site in summer 2023. It is anticipated that the first property sales from this scheme will happen in 2024. The separate Medra 2022/23 Financial Statements will be filed with Companies House.