PINNACLE HOUSING LIMITED

Registered number 02246643

ANNUAL REPORT

For the year ended 31 March 2019

Contents

Strategic Report

Pinnacle Housing has long term indexed linked contracts worth in excess of £160m over periods of up to 19 years. This visibility of future revenue streams is a core strength of the business. While the political and economic outlook remains uncertain, Pinnacle Housing enjoys a strong reputation among our clients and in the markets we operate. An inflationary environment will assist on our index linked contracts in absorbing some inflationary impact of the National Living Wage. Given the primarily UK based supply chain, we are not exposed to the effect of inflation or interest rate rises on exchange rate movements.

Operationally, Pinnacle Housing continued to deliver existing services in line with all financial and operational targets, including Contract KPIs. There were a number of bidding successes during the year resulting in new public-sector clients. Among the biggest successes is Westminster Council's Dudley House, a 197-unit PRS scheme, Redbridge Council, which has appointed the Company to provide consultancy and management, repairs and maintenance services on schemes brought forward through its wholly owned housing company and Janes Society, an older people's village outside of Luton.

Our focus remains on providing services that are rooted in the communities we serve. We are committed to effective 'place-keeping' and always put resident satisfaction at the heart of what we do. In the year ending 31st March 2019 we had over 27,000 homes of all tenures under management.

To maintain high levels of customer satisfaction we place a huge emphasis on building relationships with residents through the creation and support of tenants and residents' associations, which provide managers with a continuous feedback loop. We also work hard to develop stronger, more strategic relationships with our clients.

The outsourcing market remains attractive due to long term contracts and visibility of earnings, which means it is subject to strong competition. The Company seeks to maintain its competitive advantage by ensuring it delivers first class services to its clients for a price that represents value for money for the taxpayer. The culture it instils in its employees means that the service its customers receive separates it from the competition.

This report was approved by the Board on 5th December 2019 and signed on its behalf.

C Hodson

Christopher Hodson
Director

Directors' report

FINANCIAL STATEMENTS

The directors present their annual report and financial statements of Pinnacle Housing Limited (the "Company") for the year ended 31 March 2019. The Company has had a successful year with good operational performance combined with financial discipline. Revenue increased to £65.2m (2018: £58.2m) with EBITDA decreased to £1.56m (2018: £3.7m). The net assets of the Company are £22.6m (2018: £20.8m).

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company's principal activity is housing management and estates services.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,332,000 (2018: £3,149,000). No dividends were paid in the year (2018: £1,000,000).

DONATIONS

No political or charitable donations were made in the year (2018: £nil).

PAYMENT TO SUPPLIERS

Settlements terms are agreed with suppliers as part of the contract terms and it is the Company's policy to pay in accordance with these terms. Other creditors are paid in accordance with invoice terms. Creditor days for the current year are approximately 23 days (2018: 23 days).

FINANCIAL INSTRUMENTS

The Company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

N Fergus	
JL Saunders	
NP Wright	
AM Lee	
CM Hodson	(Appointed 30 September 2018)
C Kober	(Appointed 1 March 2019)
PMA Lloyd	(Appointed 1 March 2019)
J Gibson	(Resigned 4 May 2018)
NH Euesden	(Resigned 31 March 2019

CORPORATE RESPONSIBILTY AND GOVERNANCE

The Board of Directors recognises the importance of high standards of corporate responsibility and governance. This is evidenced through the following:

SOCIAL VALUE - CHARITY AND COMMUNITY ACTIVITIES

The Company strongly believes in giving something back to the communities in which we work. We actively support and contribute to a number of community projects and initiatives nationwide. By working closely and in partnership with residents, community groups, local charities and businesses we are able to ensure that we help transform the social aspect of the communities we serve, not just the physical.

Employees are involved in a diverse programme of social value projects focused on community investment and positive engagement with residents, which they undertake on a voluntary basis. Activities are determined locally by the staff working in a contract and tailored to the needs of residents. In Woking, the team continues to run a 'Wellbeing in Woking' campaign which includes weekly fitness classes and gardening club. This year staff have also supported a local environmental group by putting up 30 swift boxes on estates managed by the team to provide somewhere for the birds to nest. Our Housing PFI contracts in Canning town, Brockley and Myatts Field have run a successful programme of Community Action Days and events to engage residents including communal BBQs, coach trips and tea parties for sheltered scheme residents. In the London Borough of Hammersmith and Fulham our 'Community Connects' programme continues to be a success. It sees monthly events on different estates providing support on a range of topics including smoking cessation, health and well-being and money management along with an opportunity to meet the staff team and other service partners.

OUR EMPLOYEES

The Company's policy is one of equal opportunity in the selection, training, career development and promotion of employees regardless of age, gender, ethnic origin, religion and whether disabled or otherwise, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff suffering a disability every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. We are committed to narrowing our gender pay gap through promoting flexible working and other initiatives. Communication with employees continues through in house newsletters, e-bulletins, the intranet, briefings and the distribution of the annual report and other monthly information such that employees are aware of the performance of the Company.

HEALTH AND SAFETY

The Company recognises the importance of effective health and safety management and is committed to providing a secure, safe and healthy environment for both residents and employees. The Company has specific Health and Safety personnel who advise management and monitor activities to ensure appropriate levels are maintained.

QUALITY, STANDARDS AND CUSTOMER SERVICES

The Company strives to deliver its services with the highest quality in standards and safety. Its operational governance is demonstrated by the following standards and awards: ISO9001, ISO14001, ISO45001, ISO27001, CHAS and Member of British Safety Council. In addition, the best practice Investors in People framework has long been embedded within our organisation.

ENVIRONMENT

Environmental considerations play an increasingly prominent role in the areas we operate and we believe we can act as a positive catalyst to influence how residents view and treat their surroundings.

The Company has a formalised sustainability management programme where local contracts put their own local action plans in place. These feed into the overall company sustainability plan. Areas covered include fuel use, energy use, green waste and recycling, water use, pollution, biodiversity and staff/community awareness. A number of community initiatives have taken place including cycle cinemas and sustainable planting programmes on our estates.

The sharing of best practice has improved due to the co-ordination of company sustainability approaches within the business. Regular meetings with staff, residents and our clients help us identify any environmental issues and formulate quick responses, thus ensuring long term and sustainable improvements across all of our contracts nationally.

We are committed to reducing our carbon footprint and have started a number of initiatives in that direction; e.g. using chemical free cleaning products on our contracts and testing the practicality of EV vehicles across our fleet.

OUR PEOPLE

The Company is fortunate to have at its core, employees who share a common belief that prosperity for its stakeholders will be achieved through the delivery of excellent service. Our position in our markets is built on a perception that our people have respect for each other and our customers, and that from this respect comes a sustainable delivery capability. We will continue to strive to deliver for our people and for our clients, for to succeed will be our most potent weapon in creating a valuable, sustainable and respected business.

Pinnacle Group holds an annual awards ceremony each year. The awards recognise and celebrate the achievements of those members of staff who, over the year, have gone the extra mile and best displayed Pinnacle Group's five key values: Trust, Respect, Involve, Challenge and Deliver Excellence.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the directors has confirmed that:

(a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
(b) they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITOR

Under section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the Board on 5th December 2019 and signed on its behalf.

C Hodson

Christopher Hodson
Director

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

C Hudson

Director
5th December 2019

Independent auditors' report to the members of Pinnacle Housing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pinnacle Housing Limited 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Diane Walmsley

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 December 2019

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st March 2019

	Notes	**2019** **£000**	2018 £000
Revenue		**65,210**	58,222
Raw materials and consumables		**(9,368)**	(7,853)
Staff costs	2	**(36,250)**	(33,201)
Depreciation and amortization	3,7,8	**(427)**	(405)
Other operating expenses	3	**(18,015)**	(13,460)
Total expenses		**(64,060)**	(54,919)
Operating profit		**1,150**	3,303
Net interest	4	**649**	541
Profit before taxation		**1,799**	3,844
Tax on profit	5	**(467)**	(695)
Profit for the financial year		**1,332**	3,149
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on pension plans (net of deferred) tax	16	**432**	33
Other comprehensive income for the year, net of tax		**432**	33
Total comprehensive income for the year		**1,764**	3,182

All the above amounts are attributable to continuing operations.

The notes on pages 13 to 30 form part of the financial statements.

Statement of Financial Position
As at 31 March 2019

	Notes	**31 March 2019 £000**	31 March 2018 £000
Non-current assets			
Investments	6	**172**	172
Intangible assets	7	**95**	144
Property, plant and equipment	8	**824**	762
Deferred tax asset	12	**242**	117
Retirement benefit asset	16	**316**	-
Total non-current assets		**1,649**	1,195
Current assets			
Trade and other receivables	9	**47,139**	25,547
Cash and cash equivalents		**1,333**	1,727
Total current assets		**48,472**	27,274
Total assets		**50,121**	28,469
Current liabilities			
Trade and other payables	10	**(27,393)**	(7,076)
Finance lease	11	**(23)**	(129)
Total current liabilities		**(27,416)**	(7,205)
Non-current liabilities			
Finance lease	11	**(100)**	(72)
Retirement benefit liability	16	**-**	(351)
Total non-current liabilities		**(100)**	(423)
Net assets		**22,605**	20,841
CAPITAL AND RESERVES			
Called up share capital	13	**50**	50
Retained earnings		**22,555**	20,791
Total equity		**22,605**	20,841

These financial statements on pages 10 to 12 were approved by the board of directors on 5th December 2019 and signed on its behalf by:

CHodson

CM Hodson
Director
Company registered number: 02246643
The notes on pages 13 to 30 form part of the financial statements.

Statement of Changes in Equity
for the year ended 31st March 2019

	Share Capital £000	Retained earnings £000	Total equity £000
Balance at 1st April 2017	50	18,523	18,573
Profit for the year	-	3,149	3,149
Other comprehensive income	-	33	33
Acquisition of 50% ownership in Woking Housing Partnership Limited	-	86	86
Dividends paid	-	(1,000)	(1,000)
Balance at 31st March 2018	**50**	**20,791**	**20,841**
Profit for the year	-	1,332	1,332
Other comprehensive income	-	432	432
Dividends paid	-	-	-
Balance at 31st March 2019	**50**	**22,555**	**22,605**

The notes on pages 13 to 30 form part of the financial statements.

Notes to the financial statements

1 Accounting policies

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

1.1 Basis of Preparation

Pinnacle Housing Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The registered address is First Floor, 6 St Andrew Street, London, EC4A 3AE, Great Britain.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency and prepared on the historical cost basis.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79 (a) (iv) of IAS 1;
  - paragraph 73 (e) of IAS 16 'Property, plant and equipment'; and
  - paragraph 118 (e) of IAS38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1:
  - 10 (d) (statement of cash flows);
  - 10 (f), 40 A - D (requirement for a third statement of financial position);
  - 16 (statement of compliance with all IFRS);
  - 38 A (requirement for minimum of two primary statements, including cash flow statements);
  - 38 B - D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134 - 136 (capital management disclosures).
- a Cash Flow Statement and related notes;
- IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' related disclosures;
- Disclosures in respect of the transactions with wholly owned subsidiaries;

Notes to the financial statements continued

1 Accounting policies continued

1.1 Basis of Preparation continued

- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- The requirement in IAS 24, 'Related party disclosures', to disclose related party transactions entered between two or more members of a group and key management compensation.

As the consolidated financial statements of Pinnacle Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The Company had to change its accounting policies and make certain adjustments following the adoption of these standards.

- IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments (effective 1 January 2018) replaces IAS 39 Financial Instruments: recognition and Measurement, set out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 introduces new requirements for classifying and measuring financial instruments and puts in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

On initial adoption, IFRS 9 does not have any impact on the classification and measurement of the Company's existing financial assets and financial liabilities.

IFRS 9 introduces the expected credit loss model for the assessment of impairment of financial assets. The new impairment model applies to financial asset measured at amortised cost, contract assets and investment at fair value through other comprehensive income, but not to investment in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets held on the balance sheet have been reviewed in order to determine whether any loss is required to be recorded based on these expected credit losses. However, given the fact that the majority of the Company's customers are local government entities, large housing associations and PFI entities, it is unlikely that there will be a default as a result of credit risk.

Notes to the financial statements continued

1 Accounting policies continued

1.1 Basis of Preparation continued

- IFRS 15 Revenue from contracts with customers

IFRS 15 replaces IAS 18 Revenue, and IAS 11 Construction contracts, and related interpretations. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtains substantially all the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved.

Having completed a comprehensive review of all of our contracts, the adoption of IFRS 15 does not have an impact and has not led to any changes in how the Company's revenue is recorded. Therefore, comparative numbers have not been restated.

New standards and interpretations not yet adopted

The following accounting standards and amendments are in issue at the reporting date with an effective date after the current financial year:

- IFRS 16 *Leases*
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Except for IFRS 16 (discussed below), the Company does not anticipate the adoption of the new accounting standards and interpretations (listed above) to have a material effect on its financial statements.

- IFRS 16 *Leases*

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating leases – Incentives and SIC 27 Evaluating the Substance of transactions Involving the legal Form of a Lease.

IFRS 16 addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that it prescribes a single lessee accounting model that requires the recognition of a right of use asset and corresponding liability for all leases. The only exceptions are short-term (i.e. 12 months or less) and low-value leases.

Under IFRS 16, the right-of-use asset is depreciated in accordance with the requirements of IAS 16 *Property, plant and equipment* and will be tested for impairment in accordance with IAS 36 *Impairments of Assets*. The impairment testing process replaces the previous requirement to recognise a provision for onerous contracts.

Notes to the financial statements continued

1 Accounting policies continued

1.1 Basis of Preparation continued

- IFRS 16 *Leases* (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. However, IFRS 16 has changed and expanded the disclosure required, in particular regarding how a lessor manages the risks arising from its residual interest in leased asset.

The Company has commenced its review of all the leasing arrangements within the Company in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases. Please refer to note 14 for details of the Company's operating lease as at 31 March 2019.

The Company will adopt the modified retrospective approach. The Company will make use of the practical expedient available on transition to IFRS 16 to not reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 April 2019.

Additionally, the adoption of IFRS 16 does not have a material impact on the Company's current accounting for finance leases.

1.2 Going Concern

The financial statements have been prepared on a going concern basis. The company has accumulated profits to date of £22,555,000 (2018: £20,791,000) and have contracts in place which are forecast to be profitable over the life of the contract. The company has a good cash position and has a positive cashflow forecast for the next twelve months. On this basis the Directors believe that the Company will have adequate resources to continue in operational existence for the foreseeable future and meet its obligations as they fall due.

1.3 Revenue

Revenue represents fees and commissions receivable for housing management services and estates services and is recognised over the period for which the services are delivered.

1.4 Long-term Contracts

In respect of long-term contracts, total revenue and related costs are calculated to determine a contract's profitability margin which is recognised in the profit and loss account over the term of the contract after making provision for foreseeable losses.

Refer to 1.3 for the Company's accounting policy on recognition of revenue.

Project profitability of long-term contracts is regularly reviewed by management and a detailed exercise is carried out at least once every year.

Amounts recoverable on contracts are valued at anticipated net sales value of work done after provision for contingencies and anticipated future losses on contracts. Cash received on account of contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions. Any difference between the calculated turnover figure and the invoiced amounts in the month is treated as deferred income or accrued income as appropriate.

Notes to the financial statements continued

1 Accounting policies continued

1.5 Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses
Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method. Financing income comprise interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues.

1.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements continued

1 Accounting policies continued

1.7 Financial instruments

Non-derivative financial instruments comprise trade and other receivables, trade and other payables and cash and cash equivalents.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31st March 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that given the fact that the majority of its customers are local government entities and large housing associations, losses and risk are extremely low.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less any accumulated impairment losses.

Notes to the financial statements continued

1 Accounting policies continued

1.8 Property, plant and equipment continued

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings – over the life of the lease
- plant and equipment – 1 to 5 years
- fixtures and fittings – 5 years
- motor vehicles – 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9 Intangible asset

Intangible assets
Other intangibles that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Capitalised software development costs – 3 years

1.10 Contributed equity

Ordinary shares are classified as equity.

1.11 Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes to the financial statements continued

1 Accounting policies continued

1.11 Employee benefits continued

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

1.12 Dividends

Dividends are recognised as distributions to owners during the period in which the dividend is paid. Dividends are recognised in the statement of changes in equity. All dividends were declared and paid in the financial year.

1.13 Rounding of amount

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

1.14 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical accounting estimates and judgements in these financial statements which are expected to have a significant impact.

2 Employees

Number of employees

The average monthly number of operational employees employed by the Company during the year was 1,829 (2018: 1,748).

Employment costs
The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**32,630**	29,622
Social security costs	**2,324**	2,249
Other pension costs – defined benefit	**196**	252
Other pension costs – defined contribution	**1,100**	1,078
Total employee costs	**36,250**	33,201

Notes to the financial statements continued

3 Expenses and auditor's remuneration

Profit for the year has been arrived after charging:	**2019 £000**	2018 £000
Operating leases – hire of plant and machinery	**1,777**	1,793
– other	**438**	375
Depreciation and amortisation - owned assets	**324**	277
- leased assets	**103**	128
Auditor's remuneration	**15**	14

4 Net interest

	2019 £000	2018 £000
Finance income		
Intercompany interest receivable	**740**	626
Finance costs		
Bank charges	**71**	62
Net finance charge on pension scheme asset and liabilities	**6**	8
Finance leases	**14**	15
Total finance costs	**91**	85
Net interest	**649**	541

5 Taxation

(a) Analysis of charge in the year

	2019 £000	2018 £000
Current Tax		
Group relief claimed	**707**	699
Adjustment for previous years	**-**	37
Total current tax	**707**	736
Deferred tax		
Origination and reversal of timing difference	**(240)**	(41)
Total deferred tax	**(240)**	(41)
Tax charge on profit	**467**	695

Notes to the financial statements continued

5 Taxation continued

(b) Factors affecting tax charge for the year

	2019 £000	2018 £000
Profit before taxation	**1,799**	3,844
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	**342**	730
Deductible expenses	**(13)**	(44)
Disallowed expense	**363**	-
Depreciation charge in excess of capital allowances & other timing differences	**15**	13
Adjustment for previous years	**-**	37
Movement in deferred tax	**(240)**	(41)
Total tax charge for the year	**467**	695

(c) Factors affecting future tax charge

A reduction in the UK corporation tax rate to 17% was substantively enacted in September 2016 and will take effect from 1 April 2020. It has not yet been possible to quantify the fully anticipated effect of the further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

6 Investments

	Investment in subsidiaries £000
Cost at 1st April 2018	172
Additions	-
Balance at 31st March 2019	172

The company has the following investment in subsidiaries:

Company	Nature of business	Class of shares held	2019	2018
Woking Housing Partnership Limited	Housing management	£1 ordinary	100%	100%

Woking Housing Partnership Limited is a company incorporated and domiciled in the United Kingdom. The registered office is First floor, 6 St Andrew Street, London, EC4A 3AE.

As at 31 March 2019 the fair value of the investment in subsidiaries is £268,000 against carrying value of £172k thus no impairment is required.

Notes to the financial statements continued

7 Intangible assets

	Development & software costs £000
Balance at 1 April 2018	329
Additions	20
Balance at 31st March 2019	**349**
Amortisation and impairment	
Balance at 1 April 2018	185
Amortisation for the year	69
At 31 March 2019	**254**
Net Book Value	
At 31 March 2019	**95**
At 31 March 2018	144

8 Property, plant and equipment

	Leasehold land and buildings £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
Balance at 1 April 2018	180	2,684	56	2,920
Additions	5	415	-	420
Balance at 31st March 2019	**185**	**3,099**	**56**	**3,340**
Accumulated depreciation				
Balance at 1 April 2018	180	1,922	56	2,158
Charge for the year	1	357	-	358
At 31 March 2019	**181**	**2,279**	**56**	**2,516**
Net Book Value				
At 31 March 2019	**4**	**820**	**-**	**824**
At 31 March 2018	-	762	-	762

Included within the net book value of plant and equipment is £119,000 (2018: £195,000) in respect of assets held under finance leases.

Notes to the financial statements continued

9 Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	**9,029**	10,122
Amounts owed by group undertakings*	**36,737**	14,064
Other receivables including prepayments	**64**	202
Prepayments and accrued income	**1,309**	1,159
Total trade and other receivables	**47,139**	25,547

** Amounts owed by group undertakings are unsecured, interest bearing 4.5%, have no fixed date of repayment and are repayable on demand.*

The Company recognised a credit loss allowance of £1,914,000 on amounts owed by group undertakings.

10 Trade and other payables

	2019	2018
	£000	£000
Trade payables	**1,458**	1,357
Amounts owed to group undertakings*	**20,104**	-
Other taxes and social security	**2,440**	2,004
Other payables	**335**	638
Accruals and deferred income	**3,056**	3,077
Total trade and other payables	**27,393**	7,076

** Amounts owed by group undertakings are unsecured, interest bearing 4.5%, have no fixed date of repayment and are repayable on demand.*

11 Finance leases

	2019			2018		
	Minimum lease payments £000	**Interest £000**	**Principal £000**	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**24**	**(2)**	**23**	143	(14)	129
Between one and five years	**105**	**(5)**	**100**	79	(7)	72
	129	**(7)**	**123**	222	(21)	201

Notes to the financial statements continued

12 Deferred taxation

Deferred tax balance comprises the following:

	Provision for credit loss £000	Property, plant and equipment £000	Pension scheme £000	Total £000
At 1st April 2017	-	16	79	95
Recognised in profit or loss	-	41	-	41
Recognised in other comprehensive income	-	-	(19)	(19)
At 31 March 2018	**-**	**57**	**60**	**117**
Recognised in profit or loss	325	(85)	-	240
Recognised in other comprehensive income	-	-	(115)	(115)
At 31 March 2019	**325**	**(28)**	**(55)**	**242**

13 Share capital

	2019	2018
Authorised		
Ordinary shares at £0.05 each	**1,000,000**	1,000,000
At 31st March	**1,000,000**	1,000,000

	2019 £000	2018 £000
Called up and fully paid		
Authorised Ordinary shares at £0.05 each	**50**	50
Total	**50**	50

14 Operating leases

The total non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	**1,640**	871
Between one and five years	**1,975**	1,200
Greater than five years	**115**	6
Total	**3,730**	2,077

Notes to the financial statements continued

15 Directors remuneration

	2019 £000	2018 £000
Aggregate emoluments and benefits	**296**	175
Company pension contributions to money purchase scheme	**20**	13
Total	**316**	188
Highest paid director		
Aggregate emoluments and benefits	**111**	104
Company pension contributions to money purchase scheme	**13**	8
Total	**124**	112

Retirement benefits under a money purchase pension scheme are accruing in respect of 2 directors (2018: 2 directors).

The services of N Euesden, N Wright, AM Lee, J Saunders, C Hodson and P Lloyd were deemed to relate mostly to work carried out for other companies within the Pinnacle Group and their related costs are included within administration expenses of those companies.

16 Employee benefit

Pension plans

The Company participates in two employee benefit schemes.

There is one defined contribution scheme which is a Group Personal Pension for substantially all employees.

The other is a defined benefit scheme. The Plan is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Plan is operated under trust and as such, the trustees of the Plan are responsible for operating the Plan and they have a statutory responsibility to act in accordance with the Plan's Trust Deed and Rules, in the best interest of the beneficiaries of the Plan, and UK legislation (including Trust law). The Trustee and the Company have the joint power to set the contributions that are paid to the Plan.

The assets of the scheme are held separately in independently administered funds. Payments to this scheme during the period have been made in accordance with the actuarial valuation on 31st March 2018. There were no amounts payable to the scheme at end of the current financial year (2018: £nil).

This reporting statement covers the retirement benefits provided from the Citrus Pension Scheme which is a defined benefit pension scheme. The last full independent actuarial valuation of the plan was undertaken as at 31st March 2018. The results of the valuations have been updated to reflect current conditions at 31st March 2019 in accordance with IAS 19. The administrator of the pension scheme is Capita Business Services.

Notes to the financial statements continued

16 Employee benefit continued

The 31st March 2018 valuation was prepared by an independent qualified actuary using the methods and assumptions set out in the Statement of Funding Principles for the purposes of the statutory funding objective, which was introduced by the Pension Act 2004. The principal financial assumptions were price inflation at market price RPI curve, salary increases at RPI less 1.0% per annum, a discount rate in the period before retirement of 2.5% per annum, and a discount rate in the period after retirement of 0.75% per annum. The market value of the scheme's assets at 31st March 2018 was £8,887,000.

(a) Amounts included within the financial statements

The amounts recognised in the balance sheet are as follows:

	2019	2018
	£000	£000
Present value of plan liabilities	**(9,154)**	(9,238)
Fair value of scheme assets	**9,470**	8,887
Net asset /(liability)	**316**	(351)

The amounts recognised in the consolidated income statement are as follows:

	2019	2018
	£000	£000
Current service cost	**154**	200
Administration costs	**42**	52
Net interest income	**6**	8
Net cost	**202**	260

Changes in the amounts recognised in the consolidated statement of changes in equity are as follows:

	2019	2018
	£000	£000
Actuarial gain	**547**	40

Changes in the present value of the defined benefit liabilities are as follows:

	2019	2018
	£000	£000
Opening defined benefit liability	**9,238**	9,083
Service cost	**154**	200
Administration cost	**42**	52
Contributions by members	**30**	33
Interest cost	**244**	239
Changes in financial assumptions	**(380)**	(130)
Benefits paid	**(174)**	(239)
Closing defined benefit liability	**9,154**	9,238

Notes to the financial statements continued

16 Employee benefits continued

Changes in the fair value of scheme assets are as follows:

	2019	2018
	£000	£000
Opening fair value of scheme assets	**8,887**	8,619
Interest income	**238**	231
Contributions by employers	**326**	333
Contributions by members	**30**	33
Return on assets excluding amounts included in net interest	**163**	(90)
Benefits paid	**(174)**	(239)
Closing fair value of scheme assets	**9,470**	8,887

The Company's contributions during the accounting period amounted to £326,000 (2018: £333,000) and the agreed Company contribution rate for the coming year is 26.5% pa of pensionable salaries. Estimated employer expense for the next accounting period is £204,000.

The cumulative amount of actuarial losses taken to the consolidated statement of changes in equity at 31st March 2019 was £2,428,000 (2018: £1,995,000).

The fair value of the plan assets and the return on those assets were as follows:

	2019	2018
	Fair value	Fair value
	£000	£000
Equities	**5,043**	6,310
Corporate bonds	**1,492**	1,735
Bonds	**2,935**	842
Total	**9,470**	8,887

(b) Disclosure of principal assumptions

	2019	2018
Discount rate at 31st March	**2.40%**	2.65%
First year salary increase	**2.00%**	2.00%
Future salary increases	**2.30%**	2.20%
Increases to pensions in payment accrued to date (RPI)	**3.30%**	3.20%
Increases to pensions in payment accrued to date (CPI)	**2.30%**	2.20%

Notes to the financial statements continued

16 Employee benefits continued

Mortality

The average life expectancy assumed now for an individual at the age of 63 and projected to apply in 2019 for an individual then at the age of 63 is as follows:

Retiring today:	**2019**	2018
Males	**22.4**	22.9
Females	**26.2**	25.8

Retiring in 20 years:	**2019**	2018
Males	**24.8**	26.3
Females	**28.8**	27.6

Sensitivity analysis

	Increase in pension liability £'000
0.5% decrease in discount rate	10,058
1-year increase in life expectancy	9,520

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Plan's liabilities.

Longevity assumptions

The longevity assumptions as at 31 March 2019 are based on bespoke longevity tables for members provided by Club Vita for the formal valuation of the Section as at 31 March 2018. For future improvements peaked increase in longevity improvements over the short term and longer-term improvement of 1.5% per annum for men and women have been used, based on CMI 2018 projections.

Historical pension scheme information

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Defined benefit liability	**(9,154)**	(9,238)	(9,083)	(7,177)	(7,118)
Scheme assets	**9,470**	8,887	8,619	7,472	7,299
(Deficit)/surplus	**316**	(351)	(464)	295	181
Experience adjustment on scheme liabilities – (loss)/gain	**(380)**	(130)	(1,571)	256	(270)
Experience adjustment on scheme assets – gain/(loss)	**163**	90	699	(299)	413

Notes to the financial statements continued

16 Employee benefits continued

Risks to which the Plan exposes the Company

The nature of the Plan exposes the Company to the risk of paying unanticipated additional contributions to the Plan in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation and salary increase experience,
- lower than expected investment returns, and
- the risk that movements in the value of the Plan's liabilities are not met by corresponding movements in the value of the Plan's assets.

The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the Plan's liabilities of the risks highlighted.

The weighted average duration of the defined benefit obligation is 18.9 years.

17 Contingencies

The Company has issued guarantees in favour of Barclays Bank (2018: Barclays Bank) to support the indebtedness of Pinnacle Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £Nil (2018: £Nil). There are no other contingencies as at 31 March 2019.

18 Related parties

During the year, Pinnacle Housing Limited charged nil (2018: £10,000) to Pinnacle Power Limited, a subsidiary of Pinnacle Group Limited, in respect of the supply of works. There was no outstanding balance at the year-end (2018: £Nil).

19 Parent undertaking and controlling party

The immediate parent undertaking is Pinnacle PSG Limited which owns 100% of the ordinary share capital of the Company. The financial statements of Pinnacle Group Limited is the smallest group to consolidate these financial statements.

The ultimate parent undertaking and the largest group to consolidate these financial statements is TStar Pinnacle Limited.

The financial statements of Pinnacle Group Limited and TStar Pinnacle Limited are available from First Floor, 6 St Andrew Street, London, EC4A 3AE.

20 Subsequent event

There have been no subsequent events post year end.