Curo Group (Albion) Ltd.

Financial Statements
Year ended 31 March 2018

Registered Company number 4302179
Regulator of Social Housing registration number LH4336

Curo Group (Albion) Ltd.

Year ended 31 March 2018

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Curo Group (Albion) Ltd.

Board, Executive Officers and Advisors

Non Executive Directors

Elizabeth Potter (Chair)
David Ashmore
Elaine Barnes
Rick de Blaby
Richard Stillwell
Chris Wilson

Executive Directors

Victor da Cunha
Simon Gibbs

Executive Officers

Victor da Cunha	Group Chief Executive
Simon Gibbs	Executive Director – Finance & Strategy
Donna Baddeley	Executive Director – Corporate Services (left 29 September 2017)
Gerraint Oakley	Managing Director – Curo Homes
Shaun Carr	Executive Director – Property Services
Paul Harris	Executive Director – Customer Experience (appointed 31 July 2017)

Company Secretary

Katherine Gullon	Appointed 20 April 2018

Board, Executive Officers and Advisors (continued)

Registered Office	The Maltings River Place Lower Bristol Road Bath BA2 1EP Tel: 01225 366000
Group Members	Curo Group (Albion) Ltd. (4302179) Curo Places Ltd. Curo Choice Ltd. Curo Enterprise Ltd. (08103621) Curo Market Rented Services Ltd. (4705482) Mulberry Park Community Benefit Society
Solicitors	Anthony Collins Solicitors LLP Devonshires LLP Geldards LLP
Bankers	Barclays Bank plc
Funders	Lloyds Banking Group plc Barclays Bank plc Santander UK plc M&G Investment Management Limited Orchardbrook Limited Norwich and Peterborough Building Society
Independent Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 2 Glass Wharf Bristol BS2 0FR

Curo Group (Albion) Ltd. is a company limited by guarantee. It is registered in England, company number 4302179. It is registered with the Regulator of Social Housing (registration number LH4336).

Report of the Board

The Board presents its report and audited consolidated financial statements of the Curo Group (Albion) Ltd. (the 'Group') and its subsidiary undertakings, for the year ended 31 March 2018.

Principal activities

Curo is a housing association and housebuilding organisation based in Bath, providing affordable homes and support services across the West of England. We manage over 13,000 homes for more than 25,000 people and plan to build between 200 and 300 new social homes every year over the next 5 years and between 100 and 200 private market sales annually.

The group is a social enterprise, we do not pay dividends to shareholders. We reinvest surpluses from our commercial house building and lettings businesses into our core social purpose. Our main activities are as follows:

- Long term rented housing for people who are unable to afford to rent or buy on the open market
- Low cost home ownership homes
- Sheltered and supported housing for those who need additional support
- Building homes for sale

Business review and future developments

Details of the Group's performance for the year and factors likely to affect is future development are contained within the Strategic Report.

The Board

The term 'corporate governance' generally refers to the supervision of how an organisation is run and how it manages the risks to its business. It includes regulation, corporate structure and the function of the Board.

The Group is led by the Combined Board, a virtual Board, that enables efficient decision making across the Group. The Combined Board comprises of Board directors from Curo Group (Albion) Ltd, Curo Places Ltd and Curo Choice Ltd.

Legal Entity/ Board Composition	Social Business			
	Curo Group (Albion) Ltd	Curo Places Ltd	Curo Choice Ltd	Combined Board
Core Board Directors (NED)	6	6	6	6
Independent subsidiary Board directors (NED)	-	1	1	2
Executive Directors	2	2	2	2
Total	**8**	**9**	**9**	**10**

There are three further companies within the Group that are governed outside of the Combined Board. The Board structures for these companies is as follows:

Legal Entity/ Board Composition	Curo Enterprise Ltd	Curo Market Rented Services Ltd	Mulberry Park Community Benefit Scheme
Core Board Directors (NED)	3	-	-
Executive Directors	2	2	3
Total	**5**	**2**	**3**

Regulatory Framework

The Group is regulated by the Regulator of Social Housing (RSH). It has to comply with the regulatory standards framework applicable from April 2015. The framework retains at its core the principle of co-regulation. Boards are responsible for the effective performance of their organisations, compliance with the standards and being transparent and accountable to stakeholders.

The RSH framework retains seven standards set out in two primary areas; Economic and Consumer.

Economic

- Governance and financial viability
- Value for money (VFM)
- Rent

Consumer

- Tenant involvement and empowerment
- Home
- Tenancy
- Neighbourhood and community

The Regulator expects the consumer standards to be met, but it will only intervene in a service delivery matter if there is evidence of actual or potential serious detriment. Curo's Combined Board and Scrutiny Panel are responsible for ensuring that the consumer standards are met.

The Regulator published a new VFM standard which came into effect from 1 April 2018. Curo is cognisant of this change and has ensured this standard is met.

National Housing Federation (NHF) Code of Governance

Curo Group (Albion) Ltd, Curo Places Ltd and Curo Choice Ltd have adopted the National Housing Federation's Code of Governance 2015.

Delegation

The Combined Board is responsible for strategy for the Group as well as overseeing its performance. Specific responsibilities have been delegated to committees which have their own approved terms of reference. Day-to-day performance is delegated to the Executive Team and/or Senior Management Team. The major committees supporting the Combined Board and governance arrangements during the year were:

Audit and Assurance Committee – responsible for overseeing internal and external audit, the effectiveness of internal controls and the risk management framework.

Governance and Remuneration Committee (dissolved 20 November 2017) – responsible for advising the Board on governance, remuneration and Board or Committee appointments, as well as remuneration and contractual terms for the Executive Team.

Remuneration and Nominations Committee (established 20 November 2017) – responsible for determining matters relating to the employment, pay and benefits for Executives and Board Directors and also for the recruitment and succession planning for all Board and Committee Members.

Statement of Board's responsibilities

Company Directors are responsible for preparing the Group Strategic Report and the financial statements in accordance with applicable law and regulations.

Curo's Combined Board of directors have prepared the Group and parent company financial statements in accordance UK law and the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Directors have a legal obligation to only approve the financial statements where they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Company Directors are also 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006 , the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Group's Board Directors who served during the year and up to the date of signing the financial statements are listed on page 1.

Report of the Board on Internal Control

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

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieving business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material mis-statement or loss.

The key features of Curo's system of internal control include:

An established management structure operating across the Group, with clearly defined levels of responsibility and delegated authorities as outlined in the Standing Orders, Terms of Reference and Financial Regulations.

The Board has adopted the National Housing Federation's Code of Governance 2015 (for the Group's non-commercial entities), which promotes excellence for Federation members in governing their organisations and being accountable, independent and diverse. The Combined Board has conducted a review of its performance against this Code and can demonstrate compliance.

This is supported by established additional policies, which are designed to provide effective internal control and achieve effective corporate governance. The policies include Group-wide Treasury Policy Statement, Fraud, Health and Safety, Code of Conduct, Gifts and Hospitality, Procurement, Equality and Diversity, Public Interest Disclosure ("Whistle Blowing") and Data Protection together with policies covering all aspects of Employment Law and operational policies.

Board and Committee assurance –The Audit and Assurance Committee meets regularly with members of the Senior Leadership Team and the internal and external auditors to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Assurance Committee also reviews any follow up action to correct identified weaknesses. All Board members receive the minutes of all Audit and Assurance Committee meetings,

Internal audit assurance – the Group's internal audit function is managed through the governance team and delivered by external auditors, KPMG. The internal audit programme is designed to review key areas of risk and adherence to relevant law.

External audit assurance – the work of the external auditors provides further independent assurance of the internal control environment, as described in their audit report. The Group also receives a letter from the external auditors identifying any internal control weaknesses. In accordance with best practice guidance, the Audit and Assurance Committee and the Board consider this letter.

Annual Assurance statements - during the year we further developed our approach to the Annual Assurance statements provided by the Executive to the Board, via the Audit and Assurance Committee. This process involves service Directors and Heads of Service reviewing and confirming to the Senior Management Team that throughout the year there were adequate systems of internal control in place and providing assurance in respect of legal and regulatory compliance. The Executive, via the Chief Executive, provide their assurance to the Audit and Assurance Committee whose chair provides a report for the Combined Board.

Information and financial reporting systems

Financial reporting procedures include the setting of an annual budget and management accounts reporting to Management Teams and the Executive Team on a monthly basis and on a quarterly basis to the Board. Long term Strategic Financial Plans are reviewed and approved by the Board and revised during the year if necessary. There is a fully inclusive approach with Board and colleagues in terms of updating the Business Plan and associated Financial Plan. The Board also reviews key performance indicators on a quarterly basis to assess progress towards the achievement of key business objectives, targets and outcomes. Performance on key performance indicators is benchmarked nationally.

Our risk management approach

Risk is inherent to the environment in which we work, particularly given the fast pace of change politically and economically. The operating environment for social housing providers, which is shaped by government policy, remains challenging.

At Curo, our aim is to identify and then manage risks so that they can be understood, reduced, mitigated, transferred or terminated. This requires a proactive approach to risk management and an effective organisation-wide risk management framework. In response we have refreshed our approach to risk management, ensuring it is the responsibility of everyone in the organisation to manage risks and be aware of all strategic risks that Curo is exposed to. During the year we redefined the definition of risk to be "uncertain events that could influence the achievement of our strategic, operational and financial objectives", noting that an event may be positive, negative or a deviation on what was expected. We have also redefined our method of assessing risk, both in terms probability, considering the timescales relating to risk and in respect of impact, tailoring this to specific areas of the business. In addition to the strategic risk map we maintain up to date operational risk registers which feed into the strategic risk register, as required.

We have also developed our approach to risk appetite, defining it as "the organisation's willingness to take risk in pursuit of strategic objectives and the extent and categories of risk which it regards as acceptable for the company to bear". Each strategic risk has a risk target, which defines our appetite for that particular risk, and action is taken where the residual risk is greater than our risk appetite. We are therefore only willing to accept the level of risk that fits our strategy, that's in line with our values and can be understood and managed.

The Regulator of Social Housing has given the organisation a G1 rating for Governance, the highest level available.

Directors' indemnity statement

All Board directors, committee members and colleagues of the Group are provided with Directors and Officers Liability insurance through the National Housing Federation.

Colleagues

Curo aims to recruit, develop and reward high quality colleagues. It aims to keep colleagues informed on matters affecting them and on the business of the Group as a whole so that their views can be taken into account when making decisions that are likely to affect their interests. This is carried out in a number of ways including departmental meetings, formal and informal briefings, a colleague newsletter, an intranet site and a Group-wide Colleague Network.

The Group aims to be an excellent employer and is committed to equality of opportunity throughout the organisation. The Group aims to develop a workforce that reflects the diversity of the community within which it works. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group.

If colleagues become disabled the Group seeks, wherever possible, to continue employment either in the same or an alternative position, with appropriate retraining or assistance being given if necessary. Applications are encouraged from groups which are under-represented in the workforce when compared to our customer profile. This involves providing positive action with regards to people with disabilities and people who have been homeless, attendance at job fairs, work with voluntary groups representing disadvantaged people, training and development opportunities for colleagues from particular groups within the workforce. Training and development is therefore provided to colleagues according to individual and organisational needs. The Group's equality policy addresses the recruitment of colleagues.

During the year, Curo was recognised in the Times 100 Best Companies, coming 44th in the not-for-profit category.

Residents

The Group actively seeks and encourages residents' participation. One of the major residents' groups is the Scrutiny Panel which reviews services and performance across the group.

During the year we created a new resident involvement framework to further improve the way we listen to and involve our residents in our services and plans for the future.

Health & safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and procedures and provides colleague training and education on health and safety matters.

Equal opportunities

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, appraisals and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, gender, gender reassignment, colour, ethnic or national origins, disability, hours of work, nationality, religion or belief, marital or civil partner status, disfigurement, political opinions or sexual orientation. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit. The group is responsive to the needs of its colleagues, residents and the community at large and we are an organisation which uses everyone's talents and abilities and where diversity is valued.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason it continues to adopt the going concern basis in the financial statements.

Statement of compliance

In presenting the Strategic Report, the Board has endeavoured to follow the principles regarding purpose, audience, time-frame, reliability, comparability and financial and non-financial measures as set out in the Statement of Recommended Practice for Accounting by Registered Social Landlords 2014.

Annual General Meeting

The Annual General Meeting will be held on 17 September 2018.

Disclosure of information to auditors

At the date of making this report each of the Group's Board directors, as set out on page 1, confirm the following:

- So far as each Board director is aware, there is no relevant information needed by the group's auditors in connection with preparing their report of which the Group's auditors are unaware.

- Each Board director has taken all the steps that they ought to have taken as a Board director in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

The Group Director's Report and the Group Strategic Report were approved by the Board on 16 July 2018 and signed on its behalf by:

....	....	....
Elizabeth Potter	Richard Stillwell	Victor da Cunha
Chair	Board Director	Group Chief Executive

Group Strategic Report for the year ended 31 March 2018

Group Structure

Our group structure includes the following legal entities:

Curo Group (Albion) Ltd. is the holding parent for the Group. A non-asset holding company that provides strategic, management and support services to the rest of the Group. Curo Group (Albion) Ltd is a company limited by guarantee.

Curo Places Ltd. is our core landlord business, managing just under 12,000 social homes in Bath and the surrounding areas. Curo Places Ltd is a charitable Community Benefit Society registered with the Financial Conduct Authority and a Registered Provider.

Curo Choice Ltd. is a specialist support business, which provides services to both residents and non-residents. Curo Choice Ltd is a charitable Community Benefit Society.

Curo Enterprise Ltd. is a housebuilding company, generating income to cross-subsidise our core business. Curo Enterprise Ltd is a company limited by shares.

Curo Market Rented Services Ltd. is a private market rented company, also generating income to cross-subsidise our core business. Curo Market Rented Services is a company limited by shares and commenced trading on 31st March 2017.

Mulberry Park Community Benefit Society was established for the benefits of the community around Mulberry Park in Bath and will provide estate management services for recreational and community purposes.

Strategic priorities

The Group's strategic priorities, as set out in the Strategic Plan 2017-2022, are:

- Delivering renowned customer service
- Providing great properties and places
- Supporting independent and successful lives
- Building high quality homes
- Maintaining a resilient business

Review of the Year

- Financial performance was strong during the year generating a net surplus of £24m, £8m higher than last year, due largely to increased sales margin from our commercial housebuilder, Curo Enterprise Ltd.
- Operational performance was consistently in line with or better than target across core areas including rent collection, repairs and lettings.
- Colleague engagement – we continue to demonstrate being a good local employer, maintaining a top 50 place in the Times Best 100 Not-for-Profit Companies for a second successive year and winning the national Innovation in Engagement Practice Award.
- New homes – during the year we developed 118 new affordable homes and exchanged contracts on a new site in Bristol for future development of nearly 130 homes.
- Customer experience is at the heart of everything we do showing year-on-year increased satisfaction for both Customer Net Promoter Score (NPS) and Customer Overall Service Quality (OSQ).
- Strategic priorities - we have developed a new digital and asset investment plan to support our strategic priorities, allocating £87m over the next 5 years to improving customer experience of services and homes.
- Involving our customers - during the year we created a new resident involvement framework to further improve the way we listen to and involve our residents in our services and plans for the future.
- Social return on investment – our activities saved the public purse over £14m

More detailed information about our financial position and operating performance is given elsewhere in this report.

Principal risks

The Group has in place a risk management strategy and framework which provides a guide for Board directors and colleagues on the Group's approach to risk management.

The principal risks and opportunities which may affect our business and the future performance of the Group are set out below.

Risk	Comment and Curo Response
Non compliance with regulatory requirements in respect of properties and places	This could potentially cause harm to our customers, colleagues and the general public; as well as legal action and reputational damage. Curo mitigates this risk by: • Obtaining independent reviews of practice/approaches • Ensuring a comprehensive compliance reporting framework and a robust contract management framework are in place • Monthly reviews of compliance by the Executive Team, considering evidence from a central data source.
Economic climate	Welfare reform, adverse property market conditions, and other changes in the economic climate could potentially cause detriment to Curo (in terms of income and cashflow) and for our customers (in terms of their income). Curo mitigates this risk by: • Applying prudent financial assumptions in our financial plans and putting in place detailed mitigation plans • Stress testing our financial plans to understand the impact of various possible scenarios • Supporting, in particular, customers moving to Universal Credit and revising our team structures, procedures and systems to minimise the impact of such changes.
Data protection and IT security	This could potentially cause harm to our business, colleagues and/or customers; as well as reputational damage and legal action. Curo mitigates this risk by: • Ensuring a comprehensive plan for GDPR compliance is in place, including relevant policies, registers and processes • Conducting disaster recovery planning • Conducting regular testing, such as third party penetration testing.

Emerging risks

We scan the horizon for any new or emerging risks that may have a positive or detrimental impact on the business or our residents, including reviewing lessons learnt from the Social Housing Regulator's Sector Risk Profile and Regulator's Regulatory Judgements.

Most recently we have been paying close to attention to fire safety. We continue to take the safety of our customers very seriously, and place the utmost importance on ensuring all appropriate fire safety measures are in place and up to date for our properties. All our properties are inspected annually for appropriate smoke detection, and remedial actions taken where necessary to ensure that our buildings continue to be safe places to live.

We are continuing to work closely with our partners at Avon Fire & Rescue in regards to any additional measures that we may reasonably take to improve the safety of our properties, and particularly in terms of responding to lessons from the tragic events at Grenfell.

Financial Review

Financial performance for the last three years is as follows (£m).

Statement of Comprehensive Income	2018	2017	2016
Turnover	98.9	97.9	74.7
Operating costs and cost of sales	(69.8)	(75.7)	(58.0)
Operating surplus	29.1	22.2	16.7
Net interest charge and other financing costs	(8.5)	(8.8)	(8.4)
Surplus on sale of assets	3.3	2.5	2.3
Fair value in investment properties	0.1	0.2	0.2
Corporation Tax	-	0.2	(0.2)
Surplus for the year	24.0	16.3	10.6
Statement of Financial Position	**2018**	**2017**	**2016**
Housing properties at cost less depreciation	475.8	470.9	461.3
Investment properties at valuation	6.8	6.7	6.5
Fixed assets	482.6	477.6	467.8
Other tangible fixed assets & LT debtors	4.5	5.0	7.6
Net current assets	49.2	39.0	63.9
Creditors due after one year	(390.9)	(404.1)	(437.7)
Net Assets	145.4	117.5	101.6
Revenue reserve	159.9	135.8	119.6
Cash flow hedge reserve	(14.5)	(18.3)	(18.0)
Total Reserves	145.4	117.5	101.6

Financial review

The main accounting policies of the Group are set out on pages 24 to 32 of the financial statements.

From a financial risk perspective, Curo apply five Financial Rules. These rules are internal parameters for us to operate within and are agreed with and reported regularly to the Board. The five Financial Rules are operating margin (of our social business), interest cover, investment in regeneration, investment in Curo Enterprise and the proportion of turnover derived from private house sales. During the year Curo has operated within these financial rules.

Looking forwards we have reviewed and updated our Financial Rules to reflect both the 5 year Strategic Plan and current financial context. As a result we have removed the investment in regeneration metric and replaced it with a forward looking funding metric which measures the length of time where sufficient funding facilities are in place.

Statement of Comprehensive Income

Turnover for the year totalled £98.9m, an increase of £1.0m on the previous year mainly as a result of increased first tranche shared ownership sales proceeds.

Operating surplus during the year totalled £29.1m, £6.9m higher than the previous year, partly due to the one-off impairment charge of £2.5m incurred during the prior year.

The improvement in underlying operating surplus is largely driven by the increased margin from Curo Enterprise Ltd, the commercial housebuilding division within the Group, up over £4m in the year. Financial performance within the social business remains strong with operating margin on social lettings activities up £0.5m during the year despite the 1% reduction in social rents.

Reserves

Net surplus for the year totalled £24.0m (2017: £16.3m), increasing our revenue reserves to £159.9m as at 31 March 2018 (2017: £135.8m). We will invest this in delivery of new homes, maintaining and improving our existing homes and improving our services to residents.

Statement of Financial Position

Some key Statement of Financial Position facts as at 31st March 2018 are:

- Housing properties depreciated cost £476m (an increase of £5m in the year).
- Homes in management now total 13,171 (2017: 13,125)
- Net current assets were £49m, including £10m of cash at bank or on deposit.

Following the closure and settlement of the Avon Pension Fund scheme during 2016 the Group's exposure to pension risk is now greatly reduced. All colleagues who are active members of a pension scheme through Curo, participate in a defined contribution scheme with no future liability to Curo.

Curo's only remaining pension risk relates to the defined benefit Social Housing Pension Scheme (SHPS) where a liability would arise 12 months after the last remaining active member leaves the scheme. This liability would not be triggered if a Curo colleague enrolled in the SHPS defined contribution scheme within the 12 month period.

Cash flow

Cash flows for the year are set out in the cash flow statement on page 22, which shows:

- Net cash inflow from operating activities of £37.8m (2017: £39.5m).
- Our net interest charge was £9.3m, an increase of £1m on the prior year.

During the year £15m (2017: £20m) was spent on new properties and capital investment in existing homes. Social housing grant of £0.9m (2017: £1.5m) was received and net loans totalling £17m were repaid (2017: £29m loans repaid).

Capital structure and treasury strategy

The Group has a formal treasury management strategy, which is regularly reviewed. The purpose of the policy is to ensure that we have sufficient funding for the medium term and to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury strategy addresses funding and liquidity risk and covenant compliance.

The Group has one active borrower; Curo Places Ltd. Curo Places Ltd is partly funded by syndicate loans provided through Curo Group (Albion) Ltd (the Group's parent company). The remaining borrowing is through bilateral loan agreements.

Borrowing and arranged facilities, as at 31 March 2018, can be summarised as follows:

	Arranged £m	**Drawn £m**
Curo Places	346.3	247.9

At 31st March 2018, the Group had £98.4m (2017: £85.5m) of arranged facilities that were not drawn. Cash held or on deposit at the year-end totalled £9.8m, leaving net debt of £238.1m (2017: £257.8m).

The weighted average period for drawn debt is 18 years 0 months (2017: 18 years 10 months). Approximately £47m of existing drawn loans are due to be repaid in the next five years. The weighted average cost of debt, inclusive of margins and hedging activities, as at 31st March 2018 was 3.49% (2017: 3.30%).

There are two intercompany loan arrangements currently in place; £100m loan facility between Curo Places Ltd (lender) and Curo Enterprise Ltd (borrower); £0.75m loan facility between Curo Places Ltd (lender) and Curo Market Rented Services Ltd (borrower). Both facilities are repayable on demand.

Current liquidity

The Group's policy is to hold a minimum of £5 million in cash which is placed on instant access deposits. These deposits are spread over a number of banks which meet our investment criteria in respect of creditworthiness and approved limits.

Interest rate management

The Group has actively managed its loan portfolio, seeking to take advantage of low long term interest rates. In this way the Group can achieve certainty in terms of interest rate cost but in the short term can still borrow at the very low variable rates currently on offer.

As at 31 March 2018, the percentage of fixed and variable rate loans was as follows, fixed 86.1% (2017: 81.4%) variable 13.9% (2017: 18.6%).

Loan covenant compliance

Loan covenants are primarily determined by interest cover and asset cover, based on social housing values. Both financial and non-financial covenants are monitored regularly and were met throughout the year and at the year end for all loan facilities.

Investment for the future

The Group is committed to spending approximately £26m annually over each of the next five years to maintain and improve its existing housing stock. It plans to maintain a balance of 30:70 in spreading this expenditure between day to day responsive repairs and planned works.

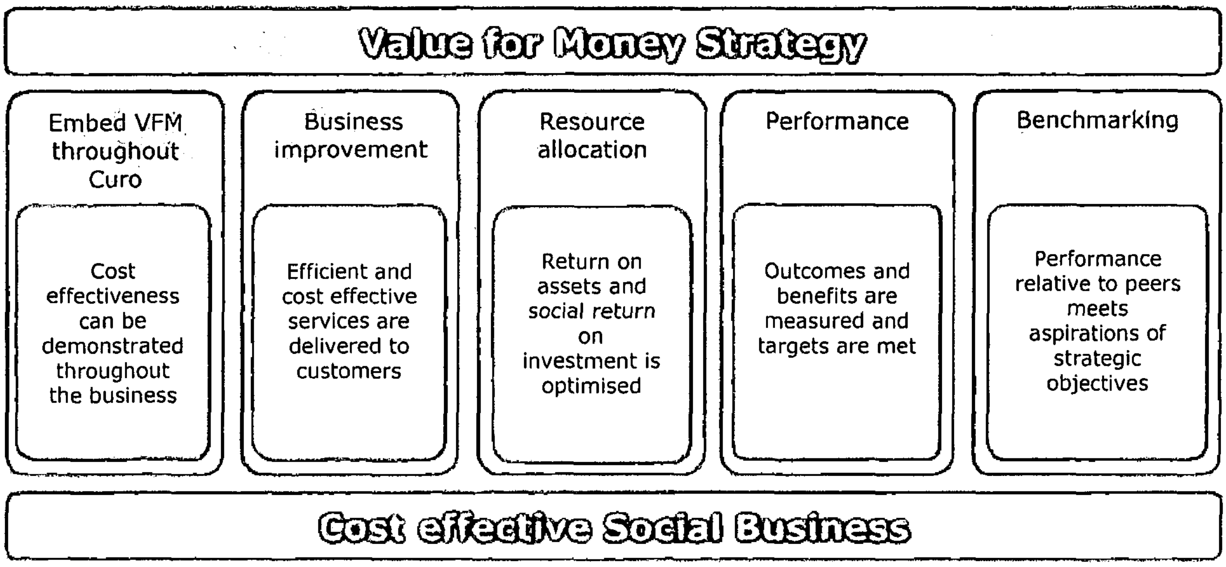
The Group has an active development programme and at the end of March 2018 has development plans for 2,100 new homes over the next five years.

Value for Money - Strategy

Curo's VfM strategy is an integral part of how it delivers the outcomes that support the strategic priorities set out in the Strategic Plan.

Delivering these priorities requires Curo to have sufficient financial capacity to invest in new customer service platforms, refurbish its housing stock, build new homes and help its customers to be financially solvent. The financial capacity to invest in these areas requires Curo to ensure that its operations are cost-effective and represent value for money for its customers.

Our VfM strategy combines 5 activities which collectively ensure that we run a cost-effective social enterprise business by defining targets, setting plans to achieve these targets and measuring how we perform against those targets.



Embed VfM throughout Curo
The principle VfM aim is to contribute to the delivery of the Strategic Plan with efficiency and savings. Each year during the financial planning cycle, the Board consider allocation of resources and the impact that has on delivering the Strategic Plan and our VfM metrics. The Board therefore are conscious at all times of the impact of strategic decisions on VfM metrics.

Once resource allocation is agreed at a strategic level, accountability and responsibility for cost and quality outcomes are translated into operational targets through budgets, team plans and individual performance objectives.

Business improvement
The Strategic Plan will be delivered via a Corporate Business Plan which will be managed and implemented through the Business Improvement Programme (BIP). BIP, established over four years ago with a proven track record, has been instrumental in successfully delivering Strategic Objectives and driving cost efficiency savings across the business. Over the past four years BIP has delivered £2.2m of efficiency savings.

Resources allocation
The Board take investment decisions taking into account the impact on the Strategic Goals and VfM metrics. Our development and asset management strategies seek to optimise our return on assets. We also measure return on assets in terms of social impact.

Performance
Curo uses a Balanced Scorecard to set and measure performance targets against our Strategic Goals. The Balanced Scorecard approach aligns targets to customer, financial, growth and people & safety aspirations. Performance is reported and discussed with the Board regularly. The performance culture with colleagues at Curo is strong with clear accountability, transparency and a collective drive to achieve stretch targets.

Benchmarking
Benchmarking is a key part of delivering VfM within Curo whilst bearing in mind the relative differences in size, business model and composition of stock. Curo is a member of a number of benchmarking clubs where we share operational and financial information that allow cost and quality performance comparisons to be made. The Board are periodically updated with the relative performance of Curo against our peers for all VfM metrics.

Value for Money - Performance 2017/18

We measure our VFM performance against the following metrics:

	2017/18			
Performance Metric	**Actual**	**Target**	**Better/ (worse)**	**Quartile (*)**
Operating margin % - Social housing lettings only	33.2%	25.0%	▲	Q2
Operating margin % - Overall	29.4%	22.7%	▲	Q3
Interest cover % (EBITDA MRI)	354%	243%	▲	Q1
Headline social housing cost per unit £ CPU – Curo Places Ltd. (entity level)	£3,298	£3,570	▲	Q2
Return on capital employed %	6.1%	4.5%	▲	Q1
New supply delivered % - Social housing units	1.0%	1.0%	▷	Q3
New supply delivered % - Non-social housing units	0.5%	0.5%	▷	n/a

Gearing %	50%	54%	▲	Q3
Reinvestment %	4.2%	5.2%	▽	n/a
Social return on investment (SROI)	£14.1m	£10.5m	▲	n/a

** Note: Benchmark quartile compares 2017/18 actual results against the latest published sector results (2016/17) as reported in the Sector Scorecard analysis report 2017.*

Performance Highlights

Overall performance during the year has been strong with only one measure, Reinvestment %, falling short of the targets set due primarily to delays securing the purchase of land for Curo Enterprise Ltd.

Performance in comparison to our peers is also generally positive and in line with expectations. The Board is aware that performance for 3 VfM metrics benchmark below the sector median:

Operating Margin % (overall)

- Performance in year exceeded target and is less than 1% from sector median
- Operating margin diluted by relatively lower margin from private property sales
- Investment in existing homes is comparatively higher than our peers due largely to our Georgian stock

New Housing Supply % (Social units)

- Delivered 118 social units as planned this year, including 30 units from Curo Enterprise Ltd.
- Pipeline for future development increasing significantly going forwards after previously reducing volumes due to the 1% decrease in social rents

Gearing %

- Borrowing below planned levels during 2018
- Interest cover remains strong demonstrating ability to repay loans

Value for Money - Future targets

Our key VFM plans and targets for 2018/19 are projected to be as follows:

Performance Metric	2016/17 Actual	2017/18 Actual	2018/19 Target	Quartile (*)
Operating margin % - Social housing lettings only	32.6%	33.2%	28.7%	Q3
Operating margin % - Overall	22.7%	29.4%	25.7%	Q3
Interest cover % (EBITDA MRI)	268%	354%	243%	Q2
Headline social housing cost per unit £ CPU – Curo Places Ltd. (entity level)	£3,365	£3,298	£3,637	Q3
Return on capital employed %	4.7%	6.1%	5.2%	Q2
New supply delivered % - Social housing units	1.3%	1.0%	1.2%	Q2
New supply delivered % - Non-social housing units	0.4%	0.5%	0.4%	n/a
Gearing %	54%	50%	57%	Q4

Reinvestment %	5.3%	4.2%	11.0%	n/a
Social return on investment (SROI)	£10.7m	£14.1m	£10.3m	n/a

** Note: Benchmark quartile compares 2018/19 target results against the latest published sector results (2016/17) as reported in the Sector Scorecard analysis report 2017.*

Each year during the financial planning cycle the Board consider allocation of resources and the impact that has on delivering the Strategic Plan and our VfM metrics. In order to deliver the strategic priorities outlined in the Strategic Plan the Board have agreed to substantial increases in the level of investment in both new and existing stock, which, whilst affordable and compliant with Curo's Financial Rules, has resulted in several target metrics being set in the lower quartiles.

Rationale for material changes in 2018/19 targets are explained below:

- Reduction in Operating Margins (Social + Overall): margins are projected to reduce during 2019 due to the Board's decision to increase investment in delivering our strategic objectives such as refurbishment of existing stock, building new homes and increases in our health and safety compliance works.
- Increase in our Headline Cost per Unit: the Board's decision to increase investment in the operating activities described above will increase our CPU during 2018 to above the existing sector median. Underlying CPU measures are positive when compared to our peers with the exception of investment levels in our existing assets (Planned Maintenance & Major Works) which are significantly higher than median in order to deliver our strategic priorities.
- Interest Cover: remains above median despite the increase in investment due to the effective treasury strategy in place.
- Gearing: measures the level of our net debt (loans less cash held) as a proportion of our housing properties (valued at cost less accumulated depreciation). Our gearing is projected to increase by 7% during 2019 due to the planned increase in borrowing primarily required to fund investment aspirations developing new homes. Gearing of 57% moves us from 3rd quartile performance to 4th quartile in comparison to our peers. The Board are aware that despite having proportionally higher gearing ratios than our peers, borrowing is well within our Financial Rules and interest cover, which measures our ability to repay future interest charges, remains top quartile performance.
- Reinvestment is planned to increase significantly during 2019 from 4.2% to 11.0% reflecting the growing development ambition within Curo, aligned to our strategic priorities. Social units are projected to increase from 118 homes (2018) to 150 units during 2019, with an ultimate target of achieving 300 new homes each year.
- Social Return in Investment: the projected decrease in SROI during 2018/19 relates to a change in the methodology used to calculate the social benefit created. Underlying performance is targeted to remain consistent with prior year.

Report on the audit of the financial statements

Opinion

In our opinion, Curo Group (Albion) Ltd's group financial statements and the company's financial statements (the financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's and company's surplus, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from 2015.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 March 2018; the Consolidated and Company statements of comprehensive income; the Consolidated and Company statements of changes in Equity; the Consolidated Statement of Cash Flows 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 group and 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

We have nothing to report in respect of the following matters in relation to which 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

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.

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 Report of the Board

In our opinion, based on the work undertaken in the course of the audit the information given in the Report of the Board and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Report of the Board have been prepared in accordance with applicable legal requirements.
In addition, in light of the knowledge and understanding of the group and the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Board. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Board's responsibilities set out on page 5, 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 group's and 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 group and 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 Financial Reporting Council'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 Section 128 of the Housing and Regeneration Act 2008 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Lynn Pamment

Lynn Pamment (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

19 July 2018

Consolidated and Company Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	**Group 2018 £000**	**Group 2017 £000**	**Company 2018 £000**	**Company 2017 £000**
Turnover	5	98,905	97,903	5,587	5,656
Operating expenditure	5	(69,797)	(75,724)	(5,374)	(5,464)
Operating surplus	5	**29,108**	**22,179**	**213**	**192**
Gain on disposal of property, plant and equipment	7	3,370	2,458	-	-
Surplus on ordinary activities		32,478	24,637	213	192
Interest receivable	8	19	34	1,945	2,005
Interest payable and similar charges	9	(8,546)	(8,827)	(1,943)	(2,000)
Movement in fair value of investment properties	15	101	201	-	-
Surplus on ordinary activities before taxation		**24,052**	**16,045**	**215**	**197**
Taxation	13	(23)	225	-	225
Surplus for the year	10	**24,029**	**16,270**	**215**	**422**
Other comprehensive income/(expense)					
Change in fair value of hedged financial instruments		3,814	(292)	-	-
Actuarial gain/(loss) on pension scheme	27	10	(24)	-	-
Other comprehensive income/(expense)		**3,824**	**(316)**	-	-
Total comprehensive income for the year		**27,853**	**15,954**	**215**	**422**

Consolidated and Company Statement of Financial Position
As at 31 March 2018

Fixed assets	Note	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Housing properties	14	475,839	470,910	-	-
Investment properties	15	6,794	6,693	-	-
Other property, plant & equipment	16	4,478	5,083	-	-
Total fixed assets		**487,111**	**482,686**	**-**	**-**
Current assets					
Debtors: amounts falling due after more than one year	18	45	-	128,000	144,500
Stocks	17	57,957	55,465	-	-
Debtors: amounts falling due within one year	18	2,891	3,744	159	152
Cash and cash equivalents		9,771	8,893	1,253	744
		70,664	68,102	129,412	145,396
Creditors: amounts falling due within one year	19	(21,500)	(26,774)	(767)	(466)
Net current assets		**49,164**	**41,328**	**128,645**	**144,930**
Total assets less current liabilities		**536,275**	**524,014**	**128,645**	**144,930**
Creditors: amounts falling due after more than one year	20	(387,987)	(403,303)	(128,000)	(144,500)
Provision for liabilities and charges	21	(2,908)	(3,184)	-	-
Net assets		**145,380**	**117,527**	**645**	**430**
Capital and reserves					
Revenue reserve		159,881	135,842	645	430
Cash flow hedge reserve		(14,501)	(18,315)	-	-
		145,380	**117,527**	**645**	**430**

The financial statements on pages 20 to 52 were authorised for issue by the Board of Directors on 16 July 2018 and were signed on its behalf.

Elizabeth Potter	Richard Stillwell	Victor da Cunha
Chair	Board Director	Group Chief Executive

Consolidated and Company Statement of Changes in Equity
For the year ended 31 March 2018

Group consolidated	Cash flow hedge reserve £000	Revenue reserve £000	Total £000
At 1 April 2016	**(18,023)**	**119,596**	**101,573**
Surplus for the year	-	16,270	16,270
Change in fair value of hedged financial instruments	(292)	-	(292)
Remeasurements of net defined benefit obligation	-	(24)	(24)
At 31 March 2017	**(18,315)**	**135,842**	**117,527**
Surplus for the year	-	24,029	24,029
Change in fair value of hedged financial instruments	3,814	-	3,814
Remeasurements of net defined benefit obligation	-	10	10
At 31 March 2018	**(14,501)**	**159,881**	**145,380**

Company	Revenue reserve £000	Total £000
At 1 April 2016	**8**	**8**
Surplus for the year	422	422
At 31 March 2017	**430**	**430**
Surplus for the year	215	215
At 31 March 2018	**645**	**645**

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	Group 2018 £000	Group 2017 £000
Net cash inflow from operating activities	34	**37,848**	**39,476**
Cash flows from investing activities			
Purchase of fixed assets - housing properties		(15,399)	(19,666)
Purchase of fixed assets - other	16	(371)	(571)
Proceeds from sale of fixed assets		4,111	4,609
Grant received		902	1,496
Interest received		19	34
Net cash used in investing activities		**(10,738)**	**(14,098)**
Cash flows from financing activities			
Interest paid		(9,315)	(8,373)
New loans		8,000	8,000
Repayment of borrowings		(24,917)	(36,553)
Net cash used from financing activities		**(26,232)**	**(36,926)**
Increase/(decrease) in cash and cash equivalents in the year		**878**	**(11,548)**
Cash and cash equivalents at the beginning of the year		8,893	20,441
Cash and cash equivalents at the end of the year		**9,771**	**8,893**

Curo Group – Accounting Policies

Notes to the Financial Statements for the Year ended 31 March 2018

1) General information

Curo Group (Albion) Limited ('the Company') and its subsidiaries (together "the Group") operate a not-for-profit housing and support organisation based in Bath, providing affordable homes and high quality care and support services across the West of England.

Curo Group (Albion) Ltd., a public benefit entity, is a private company limited by guarantee and is registered with the Regulator of Social Housing as a social housing provider. Curo Group (Albion) Ltd. registered office is The Maltings, River Place, Lower Bristol Road, Bath BA2 1EP.

Curo Market Rented Services Ltd. (company registration 4705482), part of the consolidated Group, is exempt from the requirements of carrying out an external audit under section 479A of the Companies Act 2016.

2) Statement of compliance

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes, the Companies Act 2006, the Cooperative and Community Benefit Societies Act 2014, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

3) Summary of significant accounting policies

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

a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b) Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in financial operating performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group continues to adopt the going concern basis in preparing its financial statements.

c) Exemptions for qualifying entities under FRS 102

In preparing the separate financial statements of the parent company, advantage has been taken not to disclose a separate cash flow statement under FRS 102.

d) Basis of consolidation

The Group financial statements consolidate the financial statements of the Curo Group (Albion) Ltd. and all its subsidiaries up to 31 March 2018. Intra group sales and profits are eliminated fully on consolidation. The accounting treatment adopted for the consolidation of Curo Group (Albion) Ltd, Curo Places Ltd, Curo Choice Ltd, Curo Enterprise Ltd, Curo Market Rented Services Ltd and Mulberry Park Community Benefit Society for the preparation of the consolidated financial statements is set out below. Accounting policies are consistent across the Group.

3) Summary of significant accounting policies (continued)

e) Revenue recognition

Turnover

The Group generates and recognises turnover from the following material income streams:-

Income Stream	Revenue Recognition
Rental income	Recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of void loss. Rental income is deferred to a future period where it does not relate to the current period.
Service Charge income	The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Turnover, net of void loss, is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and revenue recognition criteria met. The cost of providing these services is recognised in operating cost.
Support Income	Income relating to support services funded under Supporting People is recognised as it falls due under the contractual arrangements with the Administering Authority.
Disposal proceeds of current assets such as: • properties developed for outright sale; or • shared ownership first tranche sales	Proceeds on property sales are recognised when the risks and rewards of ownership transfer, principally on legal completion of the sale. Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.
Other miscellaneous income sources	Recognised as receivable on the delivery of services provided.

f) Employee benefits

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Group participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit. This scheme was closed to new entrants in 2007 and had no active Curo members as at 31 March 2018.

3) Summary of significant accounting policies (continued)

Defined contribution scheme

During the year, the Group participated in three defined contribution (DC) schemes (Aviva Group Life, Zurich UK Workplace Pension Scheme and SHPS DC pension scheme) where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. All existing and new colleagues are eligible to join a DC pension scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Under both schemes, colleagues have been allocated their own personal pension policy and can choose their own investment fund from the many offered. The assets of the scheme are separate from the Group and are invested by independent investment managers. The pension cost charge in note 27 represents contributions payable by the company to all funds.

g) Taxation

Corporate tax

Provision has been made for corporation tax based upon the profits made in the year by Curo Group (Albion) Ltd, Curo Enterprise Ltd and Curo Market Rented Services Ltd. Curo Places Ltd, Curo Choice Ltd and Mulberry Park Community Benefit Society have charitable status and are not liable for corporation tax on their charitable activities. The current charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Value added tax (VAT)

The Group's primary income stream, rent, is exempt for VAT purposes. The vast majority of expenditure is subject to VAT, which the Group is unable to reclaim and hence expenditure is shown inclusive of VAT. Some VAT can be reclaimed under the partial exemption method; this is credited to the statement of comprehensive income in the relevant cost heading. All Curo companies, with the exception of Curo Enterprise Ltd, operate within one VAT group.

Curo Enterprise Ltd's primary income stream, the market sale of houses, is not exempt for VAT purposes. Expenditure for Curo Enterprise Ltd is stated net of input VAT as it is wholly recoverable.

h) Fixed assets

Housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset, the costs directly attributable to bringing the asset to its working condition for its intended use and interest charges incurred during the development period.

Interest incurred during the construction of a new development from acquisition to practical completion is capitalised to each scheme at the average interest rate incurred, unless the financing of the development has been specifically hedged against, in which case that interest rate will be used.

3) Summary of significant accounting policies (continued)

Overhead costs relating to development activities are capitalised on an apportionment of the colleague time spent on this activity. Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale.

Housing properties are split between the land, structure and those major components which have significantly different patterns of consumption of economic benefits. The replacement cost of components is capitalised. Each component is treated as a separate asset and depreciated over its expected useful economic life at the following annual rates:

Structure - General housing stock	100 years
Structure - Precast reinforced concrete (PRC) housing stock	30 years
Structure – Georgian housing stock	150 years
Kitchen	20 years
Bathroom	30 years
Boilers and Electrical Heating Systems	15-25 years
Heating distribution systems	30 years
Windows	30 years
Lifts	25 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Land is not depreciated on account of its indefinite useful economic life.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Shared ownership

All shared ownership properties, including those under construction, are split between fixed assets and current assets. This split is determined by the percentage of the property to be sold under a first tranche sale, which is shown on initial recognition as a current asset, with the remainder classified as a fixed asset. Any surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets. The overall surplus for these purposes is the difference between net present value of cash flows and cost.

Proceeds from the first tranche disposals are accounted for in the statement of comprehensive income in the period in which the disposal occurs. All subsequent tranche disposals are recognised in the statement of comprehensive income as a gain or loss on disposal of assets (note 7).

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Other fixed assets

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Non housing fixed asset expenditure under £1,000 is not capitalised.

3) Summary of significant accounting policies (continued)

Depreciation is provided on all non-housing property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Other fixed assets	
Computer equipment and IT software	3-5 years
Furniture and equipment	3-15 years
Office premises (freehold)	40 years

Impairment of fixed assets

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

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset or cash generating unit is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

The Group defines cash generating units as neighbourhoods. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

Social housing grant

Government grant is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the Statement of Financial Position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above in section h).

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the Group to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal proceeds fund

The disposal proceeds fund is an internal fund used to recycle the proceeds of sale under 'Right to Acquire' procedures upto 5 April 2017 and is included in the statement of financial position under creditors. The gross sale proceeds net of admissible expenses are credited to the fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

3) Summary of significant accounting policies (continued)

The Housing and Planning Act 2016 removes the obligation to account for proceeds of sale of a disposal which occurs after 6 April 2017. Other DPF obligations, such as separate accounting and applying interest, continue to apply during the wind down period and until at the latest 6 April 2020.

Sale of social housing properties

Under the terms of the transfer agreement, a proportion of the proceeds from right to buy sales made by Curo Places Ltd. is shared with Bath and North East Somerset Council. On completion of a right to buy sales contract the full proceeds are credited to the Statement of Comprehensive income and the share payable to the Council is treated as a cost of sale.

Investment properties

Investment properties consist of commercial properties and other properties, assets not held for social benefit or for use in the business. Investment properties under construction are held at cost. Investment properties are professionally valued on completion and subsequently every 5 years. The fair value of each property is assessed and updated annually using the most appropriate indexation information publically available. Any surplus or deficit arising is recognised in the Statement of Comprehensive Income for the period. Investment properties are not depreciated.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

i) Stock

Stock

Stock and work in progress are valued at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Land held for development, including land in the course of development, is initially recorded at cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Statement of Comprehensive Income over the period of settlement.

Due to the scale of the company's developments, the company has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The company has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

j) Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and makes a provision for unrecoverable debt. When assessing the level of impairment it considers both the value and classification of debt to apply a tiered level of provision based on a prudent estimated risk of potential non-payment.

3) Summary of significant accounting policies (continued)

Rent and service charge agreements

Tenants who have a payment arrangement to pay their debts over a period of longer than the group's normal terms of business are treated as having a financing transaction. These transactions are recognised at their present value rather than transaction value.

Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors, either within amounts falling due within one year, or amounts falling due after more than one year, depending on when the funds are expected to be used.

k) Cash and cash equivalents

Cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less. Bank overdrafts, when applicable, are shown within current liabilities.

l) Financial instruments

Financial assets

Basic financial assets such as rent arrears, trade and other receivables and cash and cash equivalents are initially recorded at transaction price. If the arrangement constitutes a financing transaction then the transaction is measured at the present value of future receipts discounted at a market rate. The assets are subsequently carried at amortised cost using the effective interest rate method. At the end of each reporting period the amortised cost is assessed for evidence of impairment. Any impairment is recognised in the Statement of Comprehensive Income. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial Liabilities

Basic financial liabilities such as trade and other payables, bank loans and intercompany loans are initially recognised at transaction price. If the arrangement constitutes a financing transaction then the debt instrument will be measured at the present value of the future receipts discounted at a market rate of interest. The debt instrument is subsequently carried at the amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

m) Leased assets

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3) Summary of significant accounting policies (continued)

n) Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. A contingent liability exists on the debt on withdrawal from the SHPS pension scheme.

o) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

4) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

In preparing these financial statements, the key judgements have been made in respect of the following:

- **Impairment**: whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit, incorporating any future regeneration plans. The Group have considered the measurement basis to determine the recoverable amount of assets based on depreciated replacement cost as the primary method of measurement. The Group have also considered impairment based on their assumptions to define cash generating units.
- **Stock value**: the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and land held for sale. This judgement is also based on the Group's best estimate of sales value based on economic conditions within the area of development.

Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4) Critical accounting judgements and estimation uncertainty (continued)

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Investment properties are professionally valued every 5 years and updated annually using the most appropriate indexation information publically available. Market values may change considerably year on year depending on fluctuations within the property market coupled with potential changes in interest rates. There is an inevitable degree of judgement involved in making this estimate that can only ultimately be reliably tested in the market itself.

Regeneration Provision

Provision is made for decant, demolition and other works costs associated with sites approved for regeneration. These provisions require management's best estimate of the costs that will be incurred.

Provision for bad or doubtful debts

The Group estimates the cost of irrecoverable debt linked to rent and service charge income. This provision is based on individual debtor balances, with increased levels of provision attributed to the highest risk cases primarily based on the size of the debt and dependant on whether the debtor is a remaining customer or not. Management estimates for provision levels aim to proportionately and prudently reflect the estimated cost of irrecoverable debt.

Defined benefit pension scheme

The Group has obligations to pay pension benefits in respect to members of the SHPS fund. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates for these factors in determining the net pension obligation in the Statement of Financial Position are provided independently by actuaries working for the Pensions Trust. The assumptions reflect historical experience and current trends.

5) Particulars of turnover, operating expenditure and operating surplus

Group consolidated	Turnover 2018 £000	Operating expenditure 2018 £000	Operating surplus 2018 £000	Operating surplus 2017 £000
Social housing lettings (Note 6)	64,235	42,908	21,327	20,836
Other social housing activities				
First tranche low cost home ownership sales	4,521	2,635	1,886	1,194
Charges for support services	2,561	2,425	136	440
Development administration	-	318	(318)	(493)
	7,082	5,378	1,704	1,141
Activities other than social housing				
Market renting	2,100	1,221	879	704
Holiday letting	-	-	-	83
Commercial properties	318	20	298	258
Leasehold properties	1,112	1,247	(135)	(132)
Impairment of land for sale	-	-	-	(2,500)
Community Hub	-	74	(74)	-
Open market property sales	22,848	18,116	4,732	823
Garages	1,210	373	837	966
Provision for community initiative	-	460	(460)	-
	27,588	21,511	6,077	202
Total	**98,905**	**69,797**	**29,108**	**22,179**

Company	Turnover 2018 £000	Operating expenditure 2018 £000	Operating surplus 2018 £000	Operating surplus 2017 £000
Other social housing activities				
Group services	5,587	5,374	213	192
Total	**5,587**	**5,374**	**213**	**192**

6) Income and expenditure from social housing lettings

Group consolidated	General needs 2018 £000	Affordable rent 2018 £000	Sheltered housing 2018 £000	Supported housing 2018 £000	Shared ownership 2018 £000	Rent to buy 2018 £000	Total 2018 £000	Total 2017 £000
Income from lettings								
Income from rents receivable	43,918	4,389	8,909	753	1,043	700	59,712	59,911
Service charges receivable	1,470	1	648	429	316	8	2,872	2,374
Amortised government grants	1,018	-	215	5	60	13	1,311	1,315
Other income from lettings	340	-	-	-	-	-	340	235
Total income from lettings	**46,746**	**4,390**	**9,772**	**1,187**	**1,419**	**721**	**64,235**	**63,835**
Service costs	1,389	1	613	406	299	8	2,716	2,562
Management costs	6,618	597	1,442	121	404	85	9,267	8,857
Routine maintenance	7,156	625	1,511	127	-	88	9,507	9,218
Rent losses from bad debts	(243)	(23)	(51)	(6)	(7)	(4)	(334)	744
Major repairs	6,497	567	1,371	29	-	81	8,545	9,542
Housing property depreciation	7,605	664	1,605	34	133	95	10,136	9,140
Impairment of housing property	-	-	-	-	-	-	-	369
Impairment of non-housing property	256	-	-	-	-	-	256	-
Estate costs	1,549	135	327	7	92	19	2,129	1,712
Other expenditure	499	44	105	2	30	6	686	855
Operating expenditure on social housing lettings	**31,326**	**2,610**	**6,923**	**720**	**951**	**378**	**42,908**	**42,999**
Operating surplus/(deficit) on social housing activities	**15,420**	**1,780**	**2,849**	**467**	**468**	**343**	**21,327**	**20,836**
Void losses	254	27	178	78	63	9	609	503

7) Gain on disposal of property, plant and equipment

	Right to buy 2018	Shared ownership 2018	Other 2018	Group Total 2018	Group Total 2017
	£000	**£000**	**£000**	**£000**	**£000**
Proceed of sales	2,284	2,290	2,448	7,022	7,582
Cost of sales	(587)	(1,025)	(577)	(2,189)	(3,035)
Amount due to Bath & N.E. Somerset Council	(1,463)	-	-	(1,463)	(2,089)
	234	**1,265**	**1,871**	**3,370**	**2,458**

Cost of sales includes legal and valuation fees incurred in connection with the sale of properties as well as the net book value of the disposed properties.

Right to Buy is available to Curo Places Ltd. tenants who transferred from Bath and North East Somerset Council and who hold an assured protected tenancy and to certain tenants of the former Curo Places (Bristol) Ltd. These tenants are eligible for a percentage discount when applying to purchase their homes. Tenants applying under Right to Acquire are eligible for a lump sum discount. The levels of discount are governed by statute and contract.

Shared ownership sales relates to subsequent tranche disposals of low cost home ownership properties.

Other property sales is derived from open market disposals through our stock rationalisation asset management programme and sales to other registered providers.

8) Interest receivable

	Group 2018	Group 2017	Company 2018	Company 2017
	£000	**£000**	**£000**	**£000**
Interest receivable and similar income	19	34	2	5
Interest receivable from group undertakings	-	-	1,943	2,000
	19	**34**	**1,945**	**2,005**

9) Interest payable and similar charges

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans and overdrafts	6,885	6,871	1,943	2,000
Right to buy interest	4	4	-	-
Net interest on defined benefit liability	10	17	-	-
	6,899	6,892	1,943	2,000
Net cost on interest rate swaps	2,253	2,389	-	-
Capitalised interest	(777)	(391)	-	-
	8,375	8,890	1,943	2,000
Loss/(gain) on basic swap – derivative instruments	171	(63)	-	-
	8,546	**8,827**	**1,943**	**2,000**

Interest incurred during the construction of new developments, not for resale, is capitalised based on the weighted average borrowing rate for Curo Places Ltd. for the year of 3.5% (2017: 3.3%).

10) Surplus for the year

	Group 2018	Group 2017	Company 2018	Company 2017
This is arrived at after charging/(crediting):	**£000**	**£000**	**£000**	**£000**
Depreciation on owned tangible fixed assets	10,856	9,949	-	-
Impairment of property, plant & equipment	256	2,869	-	-
Bad debts	(334)	743	-	-
Other operating lease rentals	537	471	-	-
Auditors' remuneration as statutory auditors	29	26	1	1
Auditors' remuneration – other services certification	3	2	-	-
Auditors' remuneration – risk assurance services	18	56	-	-

11) Directors' emoluments

Directors are defined as the members of the Board (non-Executive Directors), the Group Chief Executive and the Executive Management Team as disclosed on page 1.

Fees of £73,000 (2017: £77,473) were paid to non-executive board directors and committee members across all group entities during the year. Expenses paid during the year to board directors amounted to £4,240 (2017: £7,851).

Board/committee director	Pay	Member of Combined Board	Member of Audit & Assurance Committee	Member of Remuneration & Nominations Committee
Elizabeth Potter (Chair)	£15,000	•		•
David Ashmore	£6,000	•		
Elaine Barnes	£6,000	•		
Chris Butler	£4,000		•	
Rick de Blaby	£10,000	•		
David Haywood	£6,000	•	•	•
Alex Marsh	£8,000	•	•	•
Richard Stillwell	£10,000	•	•	•
Chris Wilson	£8,000	•	•	
Grand Total	£73,000			

All members of the Executive Team receive remuneration from Curo Group (Albion) Ltd, with the exception of the Managing Director of Curo Homes who is remunerated through Curo Enterprise Ltd and the Executive Director of Property Services who is remunerated through Curo Places Ltd, with the associated costs presented in their entity financial statements.

Details of remuneration for the Company are as follows:	**Company 2018 £**	**Company 2017 £**
Aggregate emoluments paid or receivable by the Executive Directors (including pension contributions and benefits in kind)	479,572	478,703
Aggregate pension contributions paid for the Executive Directors (including the Group Chief Executive)	21,837	25,876
Emoluments paid to the highest paid director (Group Chief Executive) excluding pension contributions	178,490	168,602

The highest paid director (Group Chief Executive) is not an active member of any pension scheme with Curo and therefore no employer pension contributions were made in the year.

No compensation payments for loss of office were paid to directors during the year (2017: nil).

12) Employees

The average number of full time equivalents (37 hour week) employed during the year was as follows:

	Group 2018 Number	**Group 2017 Number**	**Company 2018 Number**	**Company 2017 Number**
Housing, support & administration	383	353	79	78
Direct maintenance	89	85	-	-
Total	**472**	**438**	**79**	**78**

12) Employees (continued)

Colleague costs	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Wages and salaries	15,765	14,273	4,228	4,131
Social security costs	1,458	1,380	383	393
Other pension costs	942	979	270	286
Total	**18,165**	**16,632**	**4,881**	**4,810**

The full time equivalent number of colleagues who received emoluments, including pension contributions and payments for loss of office, during the year were:

	Group 2018 Number	Group 2017 Number	Company 2018 Number	Company 2017 Number
£60,000 - £69,999	7	16	1	3
£70,000 - £79,999	4	3	2	2
£80,000 - £89,999	5	5	4	4
£90,000 - £99,999	4	1	1	-
£100,000 - £109,999	2	3	-	-
£110,000 - £119,999	2	-	1	-
£120,000 - £129,999	-	-	-	-
£130,000 - £139,999	-	1	-	1
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	1	2	1	1
£160,000 - £169,999	1	1	-	1
£170,000 - £179,999	1	-	1	-
Total	**27**	**32**	**11**	**12**

13) Tax

a) Tax expense included in statement of comprehensive income

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
UK corporation tax on surpluses for the year	23	(225)	-	(225)

The corporation tax liability recognised during the year relates to taxable profits for Curo Market Rented Services Ltd.

b) Reconciliation of tax (credit)/charge

	Company 2018 £000	Company 2017 £000
Surplus on ordinary activities before taxation	215	197
Surplus multiplied by standard rate of tax (19%/20%)	41	39
Adjustments to tax charge in respect of previous periods	-	(225)
Unrecognised deferred tax	(41)	(39)
Tax (credit)/charge for the year	-	**(225)**

14) Housing properties

Group Consolidated	Housing properties completed freehold	Housing properties completed long term leasehold	Housing properties under construction	Housing properties shared ownership	Group Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2017	516,098	884	21,915	24,181	563,078
Additions	-	-	14,546	-	14,546
Components capitalised	5,445	-	-	-	5,445
Works to existing properties	203	-	-	-	203
Disposals	(2,570)	(213)	-	(4,101)	(6,884)
Transfer	18,604	-	(26,050)	7,446	-
At 31 March 2018	**537,780**	**671**	**10,411**	**27,526**	**576,388**
Accumulated depreciation & impairment					
At 1 April 2017	91,064	151	-	953	92,168
Charge in year	9,798	205	-	133	10,136
Disposals	(1,445)	(227)	-	(83)	(1,755)
At 31 March 2018	**99,417**	**129**	**-**	**1,003**	**100,549**
Net book value					
At 31 March 2018	**438,363**	**542**	**10,411**	**26,523**	**475,839**
At 31 March 2017	425,034	733	21,915	23,228	470,910

15) Investment properties

Group Consolidated	Group Total
Cost/Valuation	**£000**
At 1 April 2017	6,693
Revaluation in the year	101
At 31 March 2018	**6,794**

Investment properties consist of commercial properties and other properties, assets not held for social benefit or for use in the business. Investment properties are professionally valued on completion and subsequently every 5 years with the last valuation taking place in 2016. The fair value of each property is assessed and updated annually using the most appropriate indexation information publically available.

16) Other property, plant and equipment

	Computer equipment and IT software	Office premises (freehold)	Furniture and equipment	Group Total
	£000	**£000**	**£000**	**£000**
Cost				
At 1 April 2017	2,548	7,694	886	11,128
Additions	370	1	-	371
At 31 March 2018	**2,918**	**7,695**	**886**	**11,499**
Accumulated depreciation				
At 1 April 2017	1,900	3,387	758	6,045
Charge for the year	366	331	23	720
Impairment	-	256	-	256
At 31 March 2018	**2,266**	**3,974**	**781**	**7,021**
Net book value				
31 March 2018	**652**	**3,721**	**105**	**4,478**
31 March 2017	648	4,307	128	5,083

17) Stocks

	First tranche SO properties	Outright market sales	Group Total	Group Total
	2018	2018	2018	2017
Properties for sale	£000	£000	£000	£000
Properties under construction	526	51,527	52,053	53,565
Completed properties	1,314	4,355	5,669	1,760
	1,840	55,882	57,722	55,325
Consumable maintenance stock				
Stock			391	280
Stock provision			(156)	(140)
			235	140
Total			**57,957**	**55,465**

18) Debtors

	Group	Group	Company	Company
	2018	2017	2018	2017
Amounts falling due within one year	£000	£000	£000	£000
Rental arrears	2,141	2,293	-	-
Net present value adjustment	(189)	(214)	-	-
Less provision for bad debts	(1,181)	(1,766)	-	-
	771	**313**	-	-
Other debtors	627	1,424	5	2
Amounts owed by group undertakings	-	-	98	87
Social Housing Grant receivable	454	-	-	-
Prepayments and accrued income	1,039	2,007	56	63
	2,891	**3,744**	**159**	**152**
Amounts falling due after more than one year				
Prepayments	45	-	-	-
Amounts owed by group undertakings	-	-	128,000	144,500
	45	-	**128,000**	**144,500**

19) Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Rent paid in advance	1,974	1,605	-	-
Trade creditors	3,891	7,747	-	-
Amounts owed to group undertakings	-	-	-	5
Other creditors	1,993	1,668	662	461
Housing loans due within one year (note 22)	420	2,706	-	-
Social housing grant received in advance	585	650	-	-
Disposal proceeds fund (note 25)	1,077	1,069	-	-
Taxation and Social Security	394	346	105	-
Accruals and deferred income	7,430	7,832	-	-
Right to buy accruals	1,466	2,092	-	-
Sinking fund liabilities	614	356	-	-
Recycled capital grant (note 24)	1,118	266	-	-
Retentions	538	437	-	-
	21,500	**26,774**	**767**	**466**

20) Creditors: amounts falling due after more than one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Loans and borrowing (note 22)	247,466	262,097	128,000	144,500
Derivative financial instruments	15,256	18,898	-	-
Deferred capital grants (note 23)	116,589	117,528	-	-
Recycled capital grant fund (note 24)	1,742	1,536	-	-
Disposal proceeds fund (note 25)	880	881	-	-
Pension deficit liability (note 27)	599	713	-	-
Leaseholder sinking fund balances	1,717	1,650	-	-
Land Vendor	3,738	-	-	-
	387,987	**403,303**	**128,000**	**144,500**

Provision has been made representing the value of contributions paid in advance by leaseholders at 31 March 2018 in respect of their share of future planned maintenance.

21) Provision for liabilities and charges

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
At 1 April	3,184	4,184	-	-
Amounts provided for	460	-	-	-
Amounts utilised	(736)	(1,000)	-	-
At 31 March	**2,908**	**3,184**	-	-

Provision is made for decant, demolition and other works costs associated with sites approved for regeneration. During the year provision has been made for projected future losses on a community initiative.

22) Loans and borrowing

Maturity of debt:	Group 2018	Group 2017	Company 2018	Company 2017
Banks and mortgages amounts falling due:	**£000**	**£000**	**£000**	**£000**
Between one and two years	845	5,417	-	4,580
Between two and five years	46,543	10,808	44,700	9,160
Over five years, not payable by instalments	200,498	248,578	83,300	130,760
	247,886	**264,803**	**128,000**	**144,500**
Less due within one year	(420)	(2,706)	-	-
	247,466	**262,097**	**128,000**	**144,500**

Housing loans

At 31 March 2018 the Group had a borrowing facility of £346.3 million (2017: £350.3 million) of which an amount of £247.9 million (2017: £264.8 million) had been drawn at the year end.

The interest rate profile of the Group's financial liabilities was:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Variable Rate	34,340	48,100	83,000	99,500
Fixed Rate	213,546	216,703	45,000	45,000
	247,886	**264,803**	**128,000**	**144,500**

The weighted average period for loans that are fixed was 18 years 0 months (2017: 18 years 10 months) and the weighted average interest rate was 3.49% (2017: 3.97%).

Fair value of financial liabilities

The Group has applied FRS 102 to its financial instruments and accounted for our derivative financial instruments on the Statement of Financial Position. The following disclosures have been made in relation to its interest rate swaps. At the 31 March 2018 Curo Places Ltd. had the following swaps:

- £20 million fixed interest rate swap which matures on 29 March 2037. This swap has a fixed interest rate of 5.13%.
- £46.3 million forward starting interest rate swap which matures on 20 June 2026. This swap fixes the interest rate at 3.165%.

22) Loans and borrowing (continued)

The Group's interest rate risk management policy is designed to reduce volatility in cash flows and earnings over the year. Of particular importance is the reduction of potential increases in net interest payable (as a result of adverse movements in short and long term interest rates) to an acceptable level.

The currency, size and maturity of debt is matched and hedged using a combination of various interest rate hedge instruments. The Group's policy is to maintain a level of fixed rate debt of between 40% to 85% of total debt.

The Group had hedge instruments in place at year end with the following fair values:

	2018 £000	2017 £000
Fair value of interest rate swaps	(15,256)	(18,898)

Curo Places Ltd has recognised that a portion of the £20 million swap is ineffective and created a liability under FRS 102. At 31 March 2018, the ineffective hedge creates a cumulative liability of £755,000 (2017: £584,000) which has been recognised in the income statement.

	£000
Ineffective hedge balance at 31 March 2017	584
Movement in income statement 31 March 2018	171
Ineffective hedge balance at 31 March 2018	**755**

The fair value of the interest rate swaps has been determined by discounting the cash flows at prevailing interest rates and has been derived from the Group's Treasury management system.

23) Deferred capital grants

	Group 2018 £000	Group 2017 £000
At 1 April	117,528	118,518
Grants received during the year	1,421	909
Recycled capital grants	(1,049)	(584)
Amortisation to Statement of Comprehensive Income	(1,311)	(1,315)
At 31 March	**116,589**	**117,528**

The total accumulated amount of capital grant received or receivable, before amortisation to the statement of comprehensive income, at the balance sheet date is £129.9 million (2017: £129.5m).

24) Recycled capital grant fund

	Group 2018 £000	Group 2017 £000
At 1 April	1,802	1,508
Inputs to recycled capital grant fund		
Grants recycled	1,229	678
Interest accrued	9	6
Recycling of grant		
Withdrawals	(180)	(390)
At 31 March	**2,860**	**1,802**

24) Recycled capital grant fund (continued)

Recycled capital grant as at 31 March 2018 is less than 3 years old and relates to funding provided by Homes England (2017: all less than 3 years old).

	Group 2018 £000	Group 2017 £000
To be used within one year	1,118	266
To be used after more than one year	1,742	1,536
At 31 March	**2,860**	**1,802**

25) Disposal proceeds fund

	Group 2018 £000	Group 2017 £000
At 1 April	1,950	1,648
Inputs to disposal proceeds fund		
Net right to acquire receipts	-	867
Interest accrued	7	6
Use/allocation of funds		
New build	-	(571)
At 31 March	**1,957**	**1,950**

	Group 2018 £000	Group 2017 £000
To be used within one year	1,077	1,069
To be used after more than one year	880	881
At 31 March	**1,957**	**1,950**

Disposal proceed funds as at 31 March 2018 is less than 3 years old (2017: all less than 3 years old).

26) Financial derivatives

The Group and the Company has the following financial instruments:

i). Financial assets that are debt instruments measured at amortised cost.

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade receivables	771	313	-	-
Amounts owed by group undertakings	-	-	98	87
Social housing grant	454	-	-	-
Other receivables	627	604	5	2
	1,852	**917**	**103**	**89**

26) Financial derivatives (continued)

ii). Financial instruments measured at fair value through cash flow hedge reserve.

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Derivative financial instruments	15,256	18,898	-	-
	15,256	**18,898**	**-**	**-**

Curo Places Ltd enters into interest rate swaps to mitigate the risk from interest rate movements on its variable rate debt. The fair value of the interest rate swaps has been determined by discounting the cash flows at prevailing interest rates and has been derived from using the Group's Treasury management system (see note 22).

iii). Financial liabilities measured at amortised cost.

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans and overdrafts	247,466	262,097	128,000	144,500
Trade creditors	3,891	7,747	-	-
Amounts owed to group undertakings	-	-	-	5
Other creditors	10,092	6,864	768	462
	261,449	**276,708**	**128,768**	**144,967**

27) Pensions

During the year Curo colleagues were active members of the following pension schemes:

- Social Housing Pension Scheme (SHPS Defined Benefit Scheme)
- Social Housing Pension Scheme (SHPS Defined Contribution Scheme)
- Aviva Group Life Pension Scheme (Defined Contribution Scheme)
- Zurich UK Workplace Pension Scheme (Defined Contribution Scheme)

The amount recognised in the Statement of Comprehensive Income is as follows:-

	Group 2018	Group 2017
Amounts recognised in operating costs	**£000**	**£000**
Current service cost	942	979
Amounts recognised in other finance costs		
Net interest cost	10	17
Analysis of actuarial loss recognised in other comprehensive expenses – Remeasurements		
Impact of any change in assumptions	(10)	24

27) Pensions (continued)

Social Housing Pension Scheme

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

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

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

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

Deficit Contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

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

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

27) Pensions (continued)

	Group 2018 £000	Group 2017 £000
Present value of provision	713	822

Reconciliation of opening and closing provisions	**Group 2018 £000**	**Group 2017 £000**
Provision at start of period	822	886
Unwinding of discount factor (interest expense)	10	17
Deficit contribution paid	(109)	(105)
Remeasurements - impact of any changes in assumptions	(10)	24
Provision at end of period	**713**	**822**
Due within 1 year	114	109
Due in more than 1 year	599	713
	713	**822**

Assumptions	**2018 %**	**2017 %**
Rate of discount	1.72	1.33

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

Defined contribution scheme

During the year the Group participated in three defined contribution schemes (Aviva Group Life, Zurich UK Workplace Pension and SHPS) where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

All existing and new colleagues are eligible to join a defined contribution scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Under the schemes, colleagues have been allocated their own personal pension policy and can choose their own investment fund from the many offered. The assets of the scheme are separate from the Group and are invested by independent investment managers. The assets of the scheme are held separately from those of the company, invested in an independently administered fund.

28) Contingent liability

Curo Places Ltd. has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme (SHPS) based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for Curo Places Ltd was £5.3 million (£4.2 million as of September 2015). The latest triennial valuation, as at 30 September 2017, will not be available until later this year.

The employer will be deemed to have withdrawn from the Scheme on the date that the last active member leaves pensionable service. As at 31 March 2018, the Company had 1 colleague (2017:2) who was an active member of the SHPS scheme during the year. We are committed to retaining at least one active member of the SHPS scheme going forwards.

29) Capital commitments

	Group 2018 £000	Group 2017 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	73,309	60,737
Capital expenditure that has been authorised by the Board but not yet contracted for	24,245	20,632
	97,554	**81,369**

Capital commitments for the Group will be funded as follows:

	Group 2018 £000	Group 2017 £000
Social Housing Grant	909	2,166
New loans	93,305	76,753
Sales of properties	3,340	2,450
	97,554	**81,369**

30) Operating leases

The Group holds non-cancellable operating leases for vehicles, water machines and a franking machine. There were no leases relating to land during the financial year. At 31 March 2017, the Group had the following commitments under these leases:

	Group 2018 £000	Group 2017 £000
Leases expiring within one year	549	416
Leases expiring between two and five years	2,146	52
	2,696	**468**

31) Related party transactions

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	**Interest**
Curo Group (Albion) Ltd.	Parent
Curo Places Ltd.	Wholly owned
Curo Choice Ltd.	Wholly owned
Curo Enterprise Ltd.	Wholly owned
Curo Market Rented Services Ltd.	Wholly owned
Mulberry Park Community Benefit Society	Wholly owned
Somer Contract Services Ltd. (Dormant)	Wholly owned

31) <u>Related party transactions (continued)</u>

Legal status of associated companies

Curo Group (Albion) Ltd. is the ultimate controlling party and ultimate parent undertaking of Curo Places Ltd, Curo Choice Ltd, Curo Enterprise Ltd, Curo Market Rented Services Ltd and Mulberry Park Community Benefit Society. It has the right to appoint their board directors. The consolidated financial statements of Curo Group (Albion) Ltd. are available from The Maltings, River Place, Lower Bristol Road, Bath, BA2 1EP.

Curo Places Ltd. - a charitable Community Benefit Society registered with Financial Conduct Authority and a Registered Social Landlord.

Curo Choice Ltd. – a charitable Community Benefit Society.

Curo Enterprise Ltd. - a company limited by shares.

Curo Market Rented Services Ltd. - a company limited by shares.

Mulberry Park Community Benefit Society – a charitable Community Benefit Society.

Transactions with associated companies

Curo Group (Albion) Ltd. provide management services to the companies within the Group. The most significant element of this is staff costs for the provision of group-wide central services including the Executive Management Team, Finance, IT, Human Resources, Communications etc. Costs are apportioned within the group based on a combination of turnover and units in management. Group services are provided at arm's length based on commercial terms.

Curo Choice Ltd. and Curo Places Ltd. provide housing management services to group members. Inter company charges are based on pre-agreed resources required to deliver this service. Charges are calculated on a management cost per property basis.

Curo Places Ltd. has provided an arm's length facility of up to £100m to Curo Enterprise Ltd. The funding facility is available for up to 10 years at a cost of 3.5% above Libor rate. As at 31 March 2018, Curo Enterprise Ltd. had drawn down £65.1m (2017: £68.6m) of the loan facility.

Curo Places Ltd. lease approximately 180 market rental properties to Curo Market Rented Services Ltd. on 7 year leases.

Curo Enterprise Ltd., the commercial housebuilding company within the group, build and sale social units to Curo Places Ltd.

The table below summarises the intra company charges by services and by legal entity for the year:

Intra Group Service Provided Income/(costs) - £000	Curo Group (Albion) Ltd.	Curo Places Ltd.	Curo Choice Ltd.	Curo Enterprise Ltd.	Curo Market Rented Services Ltd.
Group management services	5,587	(5,136)	(189)	(262)	-
Housing management services	-	(268)	291	(23)	-
Intra group interest charges	-	2,599	-	(2,593)	(6)
Leased property services	-	1,324	-	-	(1,324)
Property sales	-	(385)	-	385	-
Total	5,587	(1,866)	102	(2,493)	(1,330)

There are no current board directors who hold tenancies.

32) Fixed asset investments

Curo Group (Albion) Ltd. is a member of Curo Places Ltd. and has agreed to contribute £1 in the event of the winding up of Curo Places Ltd. Curo Places Ltd. became a subsidiary of Curo Group (Albion) Ltd. in 2002 by amending its Memorandum and Articles of Association.

Curo Group (Albion) Ltd. owns a single £1 share in Curo Choice Ltd. Curo Choice Ltd. is a non-profit making charitable Community Benefit Society whose principal activity is the provision of assistance, support, housing and associated services for people in need. Curo Choice Ltd. had issued share capital at 31 March 2017 to the value of £9. The other share holding members of Curo Choice Ltd. have no rights to economic benefits, may only hold a single £1 share, may not transfer their share (unless they are holding the share as a nominee of an unincorporated body) and may not hold shares in joint names. Curo Choice Ltd. became a subsidiary of Curo Group (Albion) Ltd. in 2002 by amending its Rules.

Curo Group (Albion) Ltd. exercises control over Curo Places Ltd and Curo Choice Ltd. by virtue of its right to appoint and remove the Board directors of the organisations, and the need for its consent to any constitutional amendments.

Curo Group (Albion) Ltd. is the sole shareholder of Curo Enterprise Ltd.

Curo Group (Albion) Ltd. is the sole shareholder of Curo Market Rented Services Ltd.

Curo Group (Albion) Ltd. own one of three shares in Mulberry Park Community Benefit Society.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

33) Homes and bed spaces in management

	Group 2018 Number	Group 2017 Number
General needs housing	8,587	8,570
Affordable rent	747	719
Sheltered housing	1,812	1,814
Supported housing	164	169
Shared ownership	508	489
Rent to buy	110	122
Total social housing units	**11,928**	**11,883**
Market renting	221	213
Leasehold	1,022	1,029
Total non-social units	**1,243**	**1,242**
Total homes in management	**13,171**	**13,125**

There were 122 social housing properties in the pipeline for development at 31 March 2018 (2017: 212). Curo Places Ltd. own 31 housing properties that are managed by external organisations (2017: 31).

34) Net cash inflow from operating activities

	2018	2017
	£000	**£000**
Operating surplus	29,108	22,179
Depreciation of tangible fixed assets	10,856	9,949
Amortisation of grant	(1,311)	(1,315)
Impairment of tangible fixed assets	-	369
(Increase)/decrease in stocks	(2,492)	7,215
Decrease in debtors	1,262	1,055
Decrease in trade creditors	(118)	(587)
Increase in accruals and provisions	543	611
Cash inflow from operations	**37,848**	**39,476**