

Magna Housing Limited

Annual Report and Financial Statements

31 March 2018

REGISTRATION NUMBER: 7520

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Magna Housing Limited

BOARD MEMBERS, SENIOR EXECUTIVE OFFICERS AND ADVISERS for the year ended 31 March 2018

REGISTRATION NUMBER: 7520

BOARD MEMBERS & DIRECTORS

Chairman	A Peat	
Other Members	A Acharya	
	T Ayre	
	D Bond	
	G Clarke	
	P Culpin	Appointed 18 September 2017
	R Gralia	Resigned 17 April 2018
	D Kendall	Resigned 27 July 2017
	D Lang	
	D Penny	
	D Rushton	Resigned 27 July 2017
	J Williams	Appointed 18 September 2017

SENIOR EXECUTIVE OFFICERS

Chief Executive	G Colls
Property Director	D Aldwinckle
Finance Director	S Fraser
Housing Director	T Murray
Company Secretary	M Taylor

INDEPENDENT AUDITORS

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

FUNDERS

Lloyds Banking Group plc
Royal Bank of Scotland plc
Barclays Bank plc
Santander UK plc
Clerical Medical Investment Ltd

PRINCIPAL BANKERS

Barclays Bank plc
3rd Floor
Windsor Court
3 Windsor Place
Cardiff
CF10 3BX

REGISTERED OFFICE

Oak House
Poundbury Road
Dorchester
Dorset
DT1 1SW

REPORT OF THE BOARD for the year ended 31 March 2018

STRATEGIC REPORT

Use of Terms

'Magna' refers to Magna Housing Limited. 'The Magna Group' refers to the Group created from 31 March 2017 i.e. Magna Housing Ltd, Charter (S.W.) Ltd and Magna (West Devon) Ltd. 'The Board' refers to the Board of Magna Housing Ltd.

The Homes and Communities Agency (HCA) from January 2018 split itself into two separate identities, which we use in the following way. Homes England refers to that part of the HCA which provides financial assistance to housing associations and others to build new homes. The term Regulator of Social Housing is self explanatory.

Objectives and strategy

The Board continued to follow its Strategy. Highlights are as follows:

Our Purpose is why we exist:

To help people meet their housing needs

Our Strategic Objectives are what we aim to do:

1. To provide high quality housing and services
2. To have good leadership and governance
3. To achieve value for money in the use of our resources
4. To develop, motivate and reward staff to achieve, innovate and take responsibility
5. To achieve the best mix of risk, prudence, flexibility and cost effectiveness in our finances

Our Behaviours describe how we do it:

1. We are committed to our customers
2. We are passionate about performance
3. We lead by example

The Strategic Objectives were each supported by detailed strategic targets which set out what we aimed to do in the year and when we would do it by. These in turn influenced the Budget.

BUSINESS MODEL

Principal Activities

Magna's principal activities are the management, construction and acquisition of non-market housing in Dorset and Somerset.

The Magna Group Structure

Magna Housing Limited was formed on 31 March 2017 from the amalgamation of Magna Housing Group Ltd, Magna Housing Association Ltd and Magna West Somerset Housing Association Ltd.

It is a Community Benefit Society registered under The Co-operative and Community Benefit Societies Act 2014, and a 'not for profit' Registered Provider, operating under charitable rules, registered with the Regulator of Social Housing and affiliated to the National Housing Federation.

Magna Housing Limited

REPORT OF THE BOARD for the year ended 31 March 2018

charitable rules, registered with the Regulator of Social Housing and affiliated to the National Housing Federation.

Charter (S.W.) Limited remains as a subsidiary of Magna. It did not trade during 2017/18 and made a small surplus of £2,000 during the year. The Board has agreed to retain Charter while it has rights and responsibilities under building contracts it entered into between 2006 and 2011. These progressively expire over time. See note 33 for a description of the relationships between Magna (West Devon) Limited, Charter (S.W.) Limited, Charter (S.W.) Developments Limited and Charter (S.W.) Investments LLP. With the exception of Magna (West Devon) Limited, none of these traded during the year.

Magna does not produce consolidated financial statements as the 2017/18 transactions and balances of its subsidiaries are immaterial to the Magna Group.

Treasury Policy

Magna's financing structure is made up of bank debt and development grant from Homes England. Treasury activities are controlled and monitored by the Finance Director, reporting to the Finance Committee with advice from consultants as required. They are carried out in accordance with a Treasury Management Policy.

Cash flow requirements are reviewed weekly and monitored daily. Magna normally carries only sufficient funds for current working capital requirements, with any significant excess cash balances managed in accordance with the Treasury Management Policy.

Interest rate exposure is managed through the use of interest rate fixes as part of a balanced treasury strategy and, at the year end, 96.6% (2017: 91.7%) of Magna's drawn funds were at fixed interest rates.

Performance for the financial year and position at year end (including key performance indicators)

Review of the Year

Our purpose in 2017/18 remained that of helping people meet their housing needs. Achieving our purpose entailed carrying out 28,946 day-to-day repairs (2017: 30,074), 99% on time (2017: 99%). We made 603 lettings (2017: 746) and achieved tenant satisfaction with the letting process of 98% (2017: 98%).

We helped residents deal with welfare changes affecting them. At the end of March rent arrears were 1.59% (2017: 1.59%), the impact of welfare reform limited partly through our 'Money Matters' service.

Most of the housing stock was post-war semi-detached houses and sheltered schemes designed for older persons. Magna has developed and purchased additional housing stock since the initial transfer of properties from West Dorset and West Somerset District Councils in 1993 and 1998 respectively.

Magna has kept stock condition data up-to-date by undertaking annual surveys of 20% of the stock. An independent validation of the stock condition data was undertaken in 2014. Magna has agreed standards for the maintenance of its homes which exceed the Government's minimum 'Decent Homes Standard'. This regime provides our business plan with forecasts for maintenance expenditure and programmes of cyclical works, and will continue to do so in the future.

We spent £14.5 million on major, response and cyclical repairs (2017: £14.8 million), producing hundreds of new kitchens, bathrooms, front doors and heating systems.

We received 21 complaints (2017: 31) during the year. Magna promoted the complaints procedure as a reliable way to put things right and help us to improve. The Ombudsman did not issue any reports

Magna Housing Limited

REPORT OF THE BOARD for the year ended 31 March 2018

involving Magna in the year. (2017: Nil). Overall resident satisfaction with Magna was 88% (2017: 84%), based on our monthly polling and the latest STAR survey.

Magna retained its 'G1' and 'V1' ratings from the Regulator throughout the year. To the best of its knowledge, the Board considers that it complied with the Governance and Financial Viability Standard of the Regulatory Framework and the provisions concerning rents of the 2016 Welfare Reform and Work Act.

Magna has remunerated Board Members since April 2017.

Operational Performance

Magna has established a number of performance indicators that meet both the Regulator of Social Housing's and its own requirements for monitoring its progress in achieving its objectives. Monthly performance data is reported to senior executive officers. The Board reviews performance and success in achieving targets every quarter. During the year, the Board redefined its requirements for performance information and set the targets to be achieved in 2017/18. All performance information was derived from core management information systems.

Our key performance indicators (KPIs) as at 31 March 2018 and the previous year, along with our targets, are presented below. The colour shading indicates whether we achieved our target (green) or not (red) in the given area:

Key Performance Indicators	2017/18		2016/17	
	Value	Target	Value	Target
All rented dwellings current arrears as a % of the annual rental	1.59%	2.30%	1.59%	1.79%
Average re-let times - general needs and sheltered housing (CORE)	17.4 days	16.8 days	19.2 days	14.8 days
% of valid Landlord Gas Safety Records given to tenant at sign up (new lets, relets and mutual exchanges)	100%	100%	100%	100%
Overall response repairs completed within target	99.5%	99.0%	99.3%	98.0%
% of dwellings with a valid gas certificate	100%	100%	100%	100%
% of communal areas with a valid Fire Risk Assessment	100%	100%	100%	100%
% carried out of all the planned work necessary to meet the Magna Standard, as identified by inspections in the previous financial year	100%	100%	100%	100%
Taking everything into account the percentage of residents satisfied with the overall service provided by Magna	88.3%	90.0%	83.9%	90.0%

REPORT OF THE BOARD for the year ended 31 March 2018

We want to improve our re-let time. The primary reason for not meeting our target is the number of low demand and harder to let sheltered properties in Dorset, such as bedsits and rural schemes which are unpopular as there are no local facilities. We are taking a number of actions to promote and market our sheltered housing to improve re-let times.

Magna provides two broad types of housing: general needs housing and supported housing (which includes sheltered housing - see note 3). The operating margin for supported housing is lower at 30% (2017: 32%) than the operating surplus margin for general needs at 38% (2017: 39%). Operating surplus margins are lower for supported housing due to the higher labour costs involved in providing services. Both areas have suffered reduced rental income year on year due to the 4 years of annual rent cuts imposed by Government from April 2016. Service charge income for supported housing has increased from 2016/17 due to increases in warden charges. This is offset by increases in the service charge cost. During 2018/19 Magna will examine and decide on the long term future of Magna's sheltered housing.

Financial Performance

Magna made a pre-tax surplus for the year of £14.3 million (2017: £17.4 million). Turnover decreased by £1.2 million (a 2.5% decrease). Total Net Assets at 31 March 2018 were £203.8million, a year on year increase of £18.3million. We undertook an assessment of potential impairment indicators and concluded that there was none of significant value to warrant any further assessment.

Value for Money

The Board aims to achieve Value for Money (VfM) as a result of the constant and successful operation of many policies and practices, and not as a separate aim or a special initiative. The Board makes achieving VfM one of Magna's Strategic Objectives. This ensures that we consider all the time what we need to do to achieve it, and to assess all other initiatives against it.

The Board views VfM as consisting of economy, efficiency and effectiveness, which it interprets as follows:

- **Economy** – Minimising the cost of resources used while having regard to quality.
- **Efficiency** – The relationship between the output from goods or services and the resources to produce them (the input). More output for the same input, the same output for less input, or less output for even less input, are all examples of improved efficiency.
- **Effectiveness** – the extent to which objectives are achieved and the relationship between intended and actual impacts.

Achieving VfM requires an optimum blend of all three aspects. No one aspect necessarily takes precedence over the other two.

Each year we set clear, quantifiable targets for future VfM savings. Current estimates are that in 2017/18 Magna achieved cash and non-cash VfM gains of just under £1,224,000 compared to cash and non-cash targets of £442,000. Some of the difference between the two figures is due to its having been impossible to set credible exact efficiency targets for certain projects at the time of agreeing them, which in many cases was well before the start of the financial year. The difference also reflects the success of all staff in achieving VfM in the delivery of services, and in recording their achievements throughout the year.

We target VfM gains of £654,000 in 2018/19.

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REPORT OF THE BOARD for the year ended 31 March 2018

VfM Metrics	2017/18 Actual	2016/17 Actual	2016/17 Benchmark (median)	2018/19 Forecast
Reinvestment as a % of housing stock	1.9%	1.6%	n/a	5.4%
New supply delivered (social housing units) %	0.0%	0.0%	n/a	0.7%
New supply delivered (non-social housing units)%	0.0%	0.0%	n/a	0.0%
New supply delivered	-	-	1.5%	-
Gearing %	32.9%	38.4%	51.5%	25.8%
EBITDA MRI Interest cover %	412.5%	349.6%	240.5%	355.2%
Headline social housing cost per unit	£3,328	£3,281	£3,258	£3,076
Operating margin (social housing lettings) %	35.7%	36.9%	36.4%	35.3%
Operating margin overall %	34.9%	36.3%	36.0%	33.6%
Return on capital employed %	5.4%	6.7%	4.3%	4.8%

The VfM Metrics are defined by the Regulator of Social Housing. Benchmark figures have been obtained from the pilot sector scorecard report October 2017, and are for 2016/17. The benchmark is derived from data for 44 associations operating in the south west and south east, excluding London, with a minimum of 1,000 properties. There was no metric for reinvestment in the pilot sector scorecard, and new supply delivered was not split between social housing and non-social housing units

Significant differences between Magna's performance or forecast and the benchmark are commented on below.

Reinvestment: The majority of completions in Magna's programme to deliver 600 new properties are in 2019/20 and 2020/21, resulting in a significant increase in reinvestment from 2018/19 onwards.

New supply delivered (social housing units) is forecast to be an average of 2.2% of existing housing stock over a 3 year period ending 31 March 2021.

Gearing: the benchmark gearing ratio is based on total debt. The final definition for the VfM metrics is based on net debt. Magna has used the capacity of its current loan agreements to plan to deliver 600 new properties over a 3 year period ending 31 March 2021. Any new borrowing before the agreement of a new strategy from 1 April 2021 would require renegotiation or replacement of the current loan agreements, which would not represent value for money.

EBITDA MRI interest cover is based on the effective interest payable included in the Statement of Comprehensive Income. Magna's actual interest paid was over £1.2m higher than the effective interest payable calculation. Using the interest paid instead, Magna's EBITDA MRI interest cover for 2018 would be 297%.

REPORT OF THE BOARD for the year ended 31 March 2018

Operating margin and return on capital employed were higher than the benchmarks in 2016/17, and have fallen in 2017/18 due to the impact of the 1% rent cut. The benchmark for 2017/18, when known, is likely to be lower than 2016/17's and lower than Magna's 2017/18 performance, again due to the 1% rent cut.

Future prospects

Measures which Magna introduced from 2012/13 in anticipation of welfare reform helped it tackle without significant disruption the consequences of a rent cut implemented by Government from April 2016. Revised long-term business plans show Magna continuing to be able to fund the achievement of its purpose and objectives.

These include a programme of six hundred new homes for rent and shared ownership between 2018-21.

We ended 2017/18 with a development pipeline, an allocation of grant from Homes England and thirteen units on site.

We plan also to reduce our debt per unit and our total net debt, in the medium to long term, in order to increase our future ability to self-fund the provision of housing. Magna's 2018/19 Business Plan shows this.

Following the Grenfell Tower fire on the 14 June 2017, Magna identified no units or blocks of flats in its ownership and/or management which were similarly vulnerable to fire. The Board does not expect the consequences of the Grenfell Tower fire to alter its purpose or objectives or to harm its ability to achieve them.

Description of principal risks and uncertainties being faced

During the year, the Board identified Magna's top 5 risks, in accordance with its Risk Management Policy. They were welfare reform, or other similar change in Government policy; a failure in or of our development programme; a health and safety failure; failure of our I.T. plan; and inflation growing by more than our assumption while rents are controlled. The Policy defined risk as anything that does or may threaten our ability to achieve our Strategy.

The Risk Management Policy describes key controls over risks, possible sources of assurance on their effectiveness, and the likelihood of a risk materialising after the application of controls. Risks are mitigated through Magna's whole system of internal control, which is described in the Internal Control & Risk Management section of this report. The policy lists the controls for each of these top 5 risks. The Board also agreed its risk appetite and tolerance during the year.

Liquidity is managed by maintaining adequate cash reserves and having loan facilities available for drawdown as required. The cost of finance is managed by the use of fixed interest debt as part of the treasury strategy.

STRUCTURE, GOVERNANCE & MANAGEMENT

Corporate Governance

The Board is responsible for the proper conduct of Magna's affairs. It consists of a maximum of 10 (2017: 10) Members, all non-executive. They bring substantial relevant knowledge and experience. Each was remunerated for their services. Each Member acts in a personal capacity. The Board met 11 times (2017: 14) during the year. The Board has adopted the 2015 NHF Code of Governance and considers that it has no areas of non-compliance to explain in this report.

Magna Housing Limited

REPORT OF THE BOARD for the year ended 31 March 2018

The Board ended the year with 4 (2017: 3) permanent Committees, dealing in turn with finance, audit, joint audit and finance, and membership and remuneration. Membership of the Committees is shown below. Each had Terms of Reference and reported to the Board, primarily by means of its minutes.

The table below details the Members of the four Committees.

Committee	Member
Audit Committee	Mr Asit Acharya; Mrs Debbie Bond; Ms Phyllida Cuplin; Ms Dawn Lang
Finance Committee	Mr Tim Ayre; Mr Graham Clarke; Ms Phyllida Culpin; Mr Ryan Gralia; Dr David Penny; Mrs Jill Williams
Joint Audit and Finance Committee	Mr Asit Acharya; Mr Tim Ayre; Mrs Debbie Bond; Mr Graham Clarke; Ms Phyllida Culpin; Mr Ryan Gralia; Ms Dawn Lang; Dr David Penny; Mrs Jill Williams
Membership and Remuneration Committee	Mrs Debbie Bond; Ms Dawn Lang; Mr Adam Peat; Dr David Penny; Mrs Jill Williams

Magna seeks Board Members with the skills, experience and other qualities which enable them to help run Magna properly, and who accept the obligation upon them to uphold the Purpose and Objectives of Magna.

The Audit Committee acts as an audit committee for the whole Group. It reviews reports from management, from the internal auditors and from the external auditors, and seeks to obtain reasonable assurance that controls are in place and are being followed. The Audit Committee approves an annual internal audit plan, considers recommendations, and agrees appropriate responses and action with the senior executive officers. The Committee met five times during the year. The internal auditors also attended meetings and they had unrestricted access to the Chairman of the Committee. The senior executive officers attended meetings when required. The Board receives annually a summary of any issues which concerned the Audit Committee sufficiently for it to ask for them to be drawn to the attention of the Board. The Board also formally considers internal control once during the year in addition to considering the statement on internal control contained in this Annual Report and Financial Statements. The minutes of the Committee are formally recorded and are reported to the Board.

The Board delegates day-to-day management to the Chief Executive and other senior staff. They are accountable to the Board, carrying out its instructions and providing it and its Committees with comprehensive reports and advice on Magna's affairs, including its performance across a broad range of measures. No employee is a member of the Board.

The Board has adopted a Code of Conduct to help ensure probity. It has policies and procedures on sensitive areas such as tendering and procurement, again to help ensure probity. It uses internal audit to check compliance with these and other policies and procedures which have the same aims.

Members of the Board and Senior Executive Officers

The Members of the Board and the senior executive officers of Magna are set out on page 2. All the Members and senior executive officers served throughout the year except as noted on page 2.

In October 2017, the Chief Executive, Graham Colls, made known his intention to retire from Magna in July 2018. The Board is pleased to place on record its appreciation of his many achievements as Magna's Chief Executive since 1999.

The Board is pleased to have appointed Selina White to be Magna's next Chief Executive with effect from immediately after the AGM and associated events on Thursday 26 July 2018.

Magna Housing Limited

REPORT OF THE BOARD for the year ended 31 March 2018

Accounting policies

Magna's financial statements are reported under FRS102. The detailed accounting policies are disclosed in Note 1.

Social and Community Activities and Charitable Donations

We continue to work with the wider community and others to help achieve our purpose.

Magna made charitable donations totalling £12,277 (2017: £15,538). Within this total £12,116 was paid to local community initiatives (2017: £14,800).

Employees

Magna's ability to meet its targets depends upon the quality and commitment of its employees. The Board is pleased to record here its appreciation of their hard work, skill and commitment, without which it could have achieved little. Magna informs and consults its staff and encourages them to air their views. A staff opinion survey during the year showed that 94% thought Magna's benefits package was fair, and 94% were satisfied with Magna as an employer.

At the year end, Magna employed 372 (2017: 366) full and part-time employees.

Equality & Diversity

Magna welcomes applications from all parts of the community for housing and services, employment, appointment as a contractor, and as a Member of its Boards, Committees and Residents Forums. Magna is committed to ensuring equality of opportunity in recruitment and selection. All selection, appointment and promotion of employees is based on their ability to do the work and in accordance with the Recruitment and Selection Policy and Procedure. Any applicants selected for interview will be asked to advise us of reasonable adjustments necessary to the interviewing procedure to ensure they are not disadvantaged.

Employees with disabilities or who become disabled while employed by Magna will be supported and any reasonable adjustments to their employment or working conditions which may assist them to perform their duties will be considered.

Magna will ensure that all staff have equal access to training, career development and promotion, and will also ensure there is no unjustifiable discrimination, either direct or indirect, when organising training and development.

Directors' & Officers' Insurance

The Group maintains Directors' and Officers' Liability Insurance.

Internal Control & Risk Management

This report covers the whole system of internal control during the year 2017/18 and is not restricted to internal financial control.

The Board acknowledges that it is responsible for Magna's system of internal control and for reviewing its effectiveness. The Board recognises that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The Board is satisfied that the process for identifying, evaluating and managing the significant risks faced by Magna is continuous, has been in place for the year in question and up to the date of approval of the annual report and financial statements, and is regularly reviewed.

REPORT OF THE BOARD for the year ended 31 March 2018

The Board has reviewed the effectiveness of the system of internal control by several means, including its reviews of the Risk Management Policy, consideration of the work of the Audit Committee, regular reports on performance against targets, compliance and similar reports by external bodies, and a review of the fraud and theft register.

The Board pursues policies and practices which are designed to achieve effective internal control, and describes the most important in this report.

Magna exercises control in the first instance by establishing and following a methodical process of deciding its Purpose, Strategic Objectives, Behaviours, Strategic Targets and associated Budgets.

The Board last reviewed its Risk Management Policy in September 2017. This lists key risks and how they are controlled. A Scheme of Delegation in Magna requires the Board to take primary responsibility for the production of a Risk Management Policy. The Risk Management Policy itself is subject to periodic internal audit.

Magna views risk primarily as anything which does, or may, hinder its ability to achieve its purpose and objectives. Hence, its main risks may be readily summarised as any factor which may lead to failure to achieve its purpose and strategic objectives. The quality and effectiveness of the controls in place to manage those risks are further tested and strengthened by consideration of over 20 big risks, such as fraud or breach of Lenders' covenants. The overall aim of the Risk Management Policy is to enable Magna to do the right thing in the right way.

Magna kept the risks created by the general operating, financial and economic climate under constant review during 2017/18, and implemented suitable controls where necessary and possible. It also examined carefully its approach to the issue of risk appetite, and made several changes.

Responsibility for key controls is mainly allocated by policies and procedures. These are controlled and maintained to a high standard, and distributed to staff in paper and electronic formats.

Magna operates a whistle-blowing system which encourages staff to raise anonymously with external consultants any concerns which they feel they cannot raise through the normal internal channels.

Control is further reinforced by the production of comprehensive performance data, followed by analysis and action.

The 2017-2021 Internal Audit Plan reflects the Risk Management Policy so that internal audit resources are directed towards testing the risks and their controls which the Policy identifies. The Plan, which is subject to the approval of the Audit Committee, is proposed and implemented by professional, independent auditors, who have unrestricted right of access to the Chairman of the Audit Committee.

Management places emphasis on the benefits which arise from self-control in addition to those achieved by following procedures. Magna aims to produce an open organisation in which information of all sorts flows freely in the belief that the more open an organisation is the more robust it is as it is more likely to uncover weaknesses of any type in good time. Recruitment, selection, training and appraisal policies seek to reinforce this approach.

The Audit Committee is a Committee of the Board of Magna. It receives quarterly internal audit reports from the internal auditors. On behalf of the Board, the Audit Committee receives quarterly from the Chief Executive a report on any material instances of weak internal control.

The Board considers reports from the external auditors, and from other external bodies, such as the Regulator of Social Housing, on compliance. Board Members undergo both collective and individual appraisal, and view this as an important risk control.

REPORT OF THE BOARD for the year ended 31 March 2018

Fraud & Theft

Magna complies with the Regulator of Social Housing's requirements on fraud, and adheres to additional requirements of its own. Group-wide anti-fraud policies require, amongst other things, a register to be maintained of all instances of actual and suspected fraud and theft.

Conclusion on Internal Control

The Joint Audit and Finance Committee has received the Chief Executive's report on internal control. In the light of that, and using other sources of assurance available to it, the Board has reviewed the effectiveness of the system of internal control. The Board is satisfied that there is sufficient evidence to show that systems of internal control existed and operated throughout the year, that those systems were aligned to a continuous process for the management of the significant risks facing Magna, and that those controls are subject to professional, independent testing and assessment. The Board believes that this will remain true up to (and beyond) the date of the approval and signing of the Board's annual report and annual financial statements. The Board is aware of no weaknesses which have resulted in material mis-statement or loss and which have required disclosure in the financial statements, and considers that the risk that the financial statements may be materially misstated due to fraud is low. To the best of its knowledge and belief, the Board knows of no reason why it should not sign its Representation Letter to its external auditors.

Statement of Board's Responsibilities

The Directors are responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and other legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider (RP) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping accounting records that are sufficient to show and explain the RP's transactions and disclose with reasonable accuracy at any time the financial position of the RP and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015. It is also responsible for safeguarding the assets of the RP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the Magna website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Magna Housing Limited

REPORT OF THE BOARD for the year ended 31 March 2018

Statement of Compliance

The Board confirms that the Report of the Board has been prepared in accordance with the principles set out in Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

Going Concern

The Board agreed the 2018/19 budget and priorities and has agreed a 30 year financial forecast. It has also agreed a 5 year strategy, ending 31 March 2021. It is satisfied that its plans and forecasts will enable Magna to continue to achieve its Purpose and Strategic Objectives. Accordingly, the Board has adopted the going concern basis in preparing the Annual Report and Financial Statements.

Appointment of Independent Auditors


Beever & Struthers were appointed for the year ended 31 March 2018 at Magna's Annual General Meeting held on 27 July 2017.

By order of the Board



A Peat
Chairman

26 July 2018



G Colls
Chief Executive

Magna Housing Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNA HOUSING LIMITED

Opinion

We have audited the financial statements of Magna Housing Limited "the society" for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society'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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNA HOUSING LIMITED

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 12, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board 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 Board are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNA HOUSING LIMITED

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.



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

Date: 27.7.2018

Magna Housing Limited

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 Restated £000
Turnover	2	46,303	47,478
Operating expenditure	2	(30,124)	(30,265)
Operating surplus	2	16,179	17,213
Surplus on disposal of fixed assets	5	3,256	6,497
Interest receivable and similar income	6	173	38
Interest payable and financing costs	7	(5,236)	(6,393)
(Decrease)/Increase in valuation of investment properties	12	(120)	82
Surplus before tax		14,252	17,437
Gift aid from subsidiaries	13	87	81
Gift of property	13	370	-
Surplus after tax		14,709	17,518
Other comprehensive income/(expenses)			
Actuarial gain/(loss) in respect of pension schemes	25	3,580	(5,918)
Total other comprehensive income/(expenses)		3,580	(5,918)
Total comprehensive income for the year		18,289	11,600

Note 34, on page 52, shows a detailed analysis of the restatements to the 2017 Statement of Comprehensive Income.

The financial statements on pages 17 to 53 were approved and authorised for issue by the Board on 26 July 2018 and were signed on its behalf by:

Chairman



A Peat

Finance Committee
Chairman



G Clarke

Chief Executive



G Colls

Secretary



M Taylor

STATEMENT OF CHANGES IN RESERVES

	Revaluation reserve	Fair Value reserve	Income and expenditure reserve	Total Reserves
	£000	£000	£000	£000
Balance as at 1 April 2016 (Restated)	96,051	(121)	78,011	173,941
Surplus from statement of comprehensive income	-	-	11,600	11,600
Depreciation at deemed cost transferred from revaluation reserve to income and expenditure reserve	(1,201)	-	1,201	-
Movement on revaluation reserve for disposal of fixed assets	2,452	-	(2,452)	-
Revaluation at fair value	-	82	(82)	-
	<u>97,302</u>	<u>(39)</u>	<u>88,278</u>	<u>185,541</u>
Balance as at 31 March 2017	97,302	(39)	88,278	185,541
Surplus from statement of comprehensive income	-	-	18,289	18,289
Depreciation at deemed cost transferred from revaluation reserve to income and expenditure reserve	(1,158)	-	1,158	-
Movement on revaluation reserve for disposal of fixed assets	(1,233)	-	1,233	-
Revaluation at fair value	-	(120)	120	-
	<u>94,911</u>	<u>(159)</u>	<u>109,078</u>	<u>203,830</u>
Balance as at 31 March 2018	94,911	(159)	109,078	203,830

Note 35, on page 53, shows a detailed analysis of the restatements to the 2017 Statement of Changes in Reserves.

Magna Housing Limited

STATEMENT OF FINANCIAL POSITION

		Year ended 31 March 2018	Year ended 31 March 2017 Restated
	Note	£000	£000
Fixed Assets			
Tangible fixed assets	11	348,758	351,573
Investment properties	12	1,420	1,540
Investments in Subsidiaries and Joint Ventures	14	164	163
Total Fixed Assets		350,342	353,276
Current Assets			
Inventories	15	301	329
Trade and other debtors	16	1,664	1,710
Cash and cash equivalents	18	27,278	21,340
		29,243	23,379
Creditors: amounts falling due within one year	19	(18,591)	(21,086)
Net Current Assets		10,652	2,293
Debtors: amounts falling due after more than one year	17	21	21
Total assets less current liabilities		361,015	355,590
Creditors: amounts falling due after more than one year	20	(129,252)	(139,853)
Provision for Liabilities			
Pension provision	25	(27,909)	(30,196)
Other provisions	26	(24)	-
Total Net Assets		203,830	185,541
Reserves			
Non-equity share capital	28	-	-
Income and expenditure reserve		109,078	88,278
Revaluation reserve		94,911	97,302
Fair value reserve		(159)	(39)
Total Reserves		203,830	185,541

Note 35, on page 53, shows a detailed analysis of the restatements to the 2017 Statement of Financial Position.

The financial statements on pages 17 to 53 were approved and authorised for issue by the Board on 26 July 2018 and were signed on its behalf by:

Chairman



A Peat

Finance Committee
Chairman



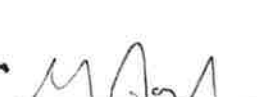
G Clarke

Chief Executive



G Colls

Secretary



M Taylor

The notes on pages 21 to 53 form an integral part of these accounts

Magna Housing Limited

STATEMENT OF CASHFLOWS

		Year ended 31 March 2018 £000	Year ended 31 March 2017 £000 Restated
	Note		
Net cash generated from operating activities	(A) (See below)	25,250	24,491
Cash flow from investing activities			
Purchase of tangible fixed assets		(7,301)	(6,243)
Proceeds from sale of tangible fixed assets		6,147	14,855
Gift Aid		136	-
Interest received		173	37
		<u>(845)</u>	<u>8,649</u>
Cash flow from financing activities			
Interest paid		(6,497)	(8,152)
Repayment of borrowings		(11,970)	(15,410)
		<u>(18,467)</u>	<u>(23,562)</u>
Net change in cash and cash equivalents		5,938	9,578
Cash and cash equivalents at the beginning of the year		21,340	11,762
		<u>27,278</u>	<u>21,340</u>
Cash and cash equivalents at the end of the year			
Note (A)			
		£000	£000
Cash flow from operating activities			
Operating surplus for the year		16,179	17,213
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		7,696	7,811
(Increase) in investments		(1)	-
Decrease in stock		34	4
(Increase) in trade and other debtors		(3)	(121)
Increase/(decrease) in trade and other creditors		852	(572)
Increase in provisions		493	156
		<u>25,250</u>	<u>24,491</u>
Net cash generated from operating activities			

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements have been prepared in compliance with FRS102. Magna meets the definition of a public benefit entity (PBE).

A summary of the more significant accounting policies, which have been applied consistently, is set out below:

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. We have agreed a business plan which allows us to both fund our development programme and absorb 4 years of rent reductions. The business plan also shows our adherence to our borrowing covenants. We therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

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

- a. **Categorisation of housing properties.** Magna has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, Magna has considered if the asset is held for social benefit or to earn commercial rentals. Magna has determined that market rented properties are held to earn commercial rentals and hence have been classified as investment properties.
- b. **Housing properties** in tangible fixed assets are valued at deemed cost as at 1 April 2014. Magna has taken advantage of transitional relief set out in FRS102 for deemed cost and treated all grant on transition under the performance model with subsequent grants under the accrual model.
- c. **Investment properties** include market rented properties, shops and other commercial properties. They are measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date.
- d. **Impairment.** Magna has considered the need for impairment on a property by property basis.

Other key sources of estimation and assumptions

- a. **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- b. **Revaluation of investment properties.** Magna carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. Fair value, as defined by FRS102, is used for these property types as it can be measured on an on-going basis. Magna engaged independent valuation specialists to determine fair value as at 31 March each year. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12.
- c. **Pension and other post-employment benefits.** Magna participates in three defined benefit pension schemes as an "Admitted Body":
- (i) The Local Government Fund (LGPS) administered by Dorset County Council (DCC);
 - (ii) The Local Government Fund (LGPS) administered by Somerset County Council (SCC); and
 - (iii) The Social Housing Pension Scheme (SHPS).

Magna closed these defined benefit pension schemes to new members on 1 October 2011 and introduced, in their place, a defined contribution scheme.

The cost of the LGPS defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the scheme employers consider the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector.

The SHPS multi-employer scheme is a defined benefit scheme. It is not possible for Magna 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.

Further details are given in note 25.

- d. **Impairment.** Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in the statement of comprehensive income.

Depreciated replacement cost (DRC) has been calculated using a replacement cost valuation provided by Savills, depreciated for the number of years the property has been in use. The value is then compared to the deemed cost to determine whether the property needs to be impaired. Where the exact age of the property is unknown, estimates of the year of build have been made to establish whether any impairment is required.

Investment properties are valued annually. Where there is a reduction in value, the charge is recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Investments

Investments in shares in group companies are stated at the lower of cost and net realisable value. Any impairment in the value of investments is charged to the statement of comprehensive income in the year in which it is first recognised.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in turnover as per note 2 in line with contractual agreements. The related support costs are matched against this income in the same note. Support charges included in rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges

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

Sinking Funds

Magna has a number of schemes which require sinking funds in order to provide for the future cost of maintaining them. Magna manages sinking funds in accordance with its policy. Funds are held in a separate bank account and included in the Statement of Financial Position within creditors until costs are incurred.

Loan interest costs

The interest charged to the Statement of Comprehensive Income is calculated using the opening loan value contained in the Statement of Financial Position multiplied by an appropriate market rate of interest.

Taxation

Magna has charitable status and is therefore not subject to corporation tax on surpluses derived from charitable activities. All charitable activities undertaken are classed as charitable.

Value Added Tax

Magna charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by Magna and not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Property, Plant and Equipment

Housing properties

Tangible fixed assets are stated at deemed cost as at 1st April 2014, less accumulated depreciation. Magna has taken advantage of transitional relief set out in FRS102 for deemed cost and treated all grant on transition under the performance model with subsequent grants under the accruals method. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

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

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

UELs for identified components are as follows:

<i>Component</i>	<i>UEL</i>
Kitchens	20 years
Bathrooms	30 years
Doors	35 years
Windows	30 years
Central heating	30 years
Boilers	15 years
Flat roofs	30 years
Pitched roofs	60 years
Lifts & other communal assets	25 to 30 years
Oil tanks	25 years
Alternative energy sources	30 years
Structure	100 years
Structure (pre-cast reinforced concrete)	50 years
Garages	50 years

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

Impairment of housing properties

Annually housing properties are assessed for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential (DRC). The resulting impairment loss is recognised as expenditure in the Statement of Comprehensive Income. Where an asset is currently deemed not to be providing service potential to Magna, its recoverable amount is its fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Other tangible fixed assets

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

Freehold and long leasehold properties	50 years
Maintenance equipment	5 years
Computer equipment	3 – 6 years
Office equipment, fixtures and fittings	5 years
Motor vehicles (New)	8 years
Motor vehicles (Pre-owned)	4 years

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the low cost home ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental due to the development process and directly attributable to bringing the property into its intended use.

Property managed by agents

Where Magna carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to Magna.

In both cases, the assets and associated liabilities are included in Magna's Statement of Financial Position.

Leasing and hire purchase

All Magna's leases are operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Investment properties

Investment property includes commercial and other properties not held directly to achieve Magna's Purpose. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Inventories

Stocks of materials are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

Properties held for resale are included in current assets at the lower of cost or estimated selling price less sale costs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price.

Provisions for bad and doubtful debts

The Group maintains bad debt provisions for any potential non-payment of debt.

At each Statement of Financial Position date Magna makes an assessment as to the level of bad debt provision required against individual debtors. The assessment takes into account the past payment history of the debtor, the age of the debt and the contractual relationship.

Non-government grants

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

Social Housing and other government grants

Magna has taken advantage of transitional relief set out in FRS102 for deemed cost and treated all grant on transition under the performance model with subsequent grants under the "accruals method".

Where developments have been financed wholly or partly by Social Housing Grant (SHG), the amount of the grant received is held as deferred income on the Statement of Financial Position under creditors less than and greater than one year. The grant is released to turnover over the estimated useful life of the associated asset under the "accruals model".

Grant received for items of cost written off in the Statement of Comprehensive Income Account is included as part of turnover.

SHG must be recycled by Magna under certain conditions, primarily if a property is sold. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover.

Recycling of Capital Grant

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

Disposal Proceeds Fund (DPF)

Receipts from the sale (under the right to acquire scheme) of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF. This creditor is carried forward until it is used to fund the acquisition of new social housing.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which Magna has a participating interest. Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in Magna's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Interest is applied annually and is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

Revaluation reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

Financial instruments

Financial assets and liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, in which case the transaction is measured at the present value of future receipts discounted at a market rate of interest.

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

Debt instruments meet the conditions in paragraph 11.8(b) of FRS102 and are measured at amortised cost using the effective interest method.

Financial instruments held by Magna are classified as follows:

- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities are held at amortised cost using the effective interest based on a quoted market rate;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

Concessionary loans

Public benefit entity concessionary loans are loans made or received between public benefit entities at below the prevailing market rate of interest that are not repayable on demand and are for the purposes of furthering the objectives of the public benefit entity.

The loans are measured at the amount received or paid and are recognised in the Statement of Financial Position.

Property Disposals

During 2016/17 Magna sold 165 properties to another RP. These properties had grant relating to them, which had been credited to the income and expenditure reserve on transition to FRS102. The purchasing RP has taken on any liability to repay the grant should they dispose of the properties. All of the properties were outside Magna's core operating area. See notes 5 and 11 for further details.

Amalgamation

In accordance with FRS102 the amalgamation of the group has been accounted for as a public sector business combination. Applying merger accounting, the carrying value of the assets and liabilities of the parties to the combination have not been adjusted to fair value. Accounting policies are uniform across the amalgamating entities.

The results and cash flows of all the amalgamating entities have been brought into the financial statements of the newly formed entity from the 1st April 2016, being the financial year in which the merger occurred.

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

31 March 2018	Turnover	Operating Expenditure	Operating Surplus
	£000	£000	£000
Social housing lettings (Note 3)	44,433	(28,573)	15,860
Other social housing activities			
Charges for support services	303	(301)	2
Supporting people	342	(338)	4
First tranche sales	102	(84)	18
Development costs not capitalised	-	(184)	(184)
Abortive development costs	-	(14)	(14)
Activities non-social housing:			
Lettings – Market rented	134	(54)	80
Other	989	(576)	413
Total	46,303	(30,124)	16,179
31 March 2017 (Restated)	Turnover	Operating Expenditure	Operating Surplus
	£000	£000	£000
Social housing lettings (Note 3)	45,470	(28,678)	16,792
Other social housing activities			
Charges for support services	393	(375)	18
Supporting people	304	(291)	13
Activities other than social housing:			
Lettings – Market rented	133	(55)	78
Other	1,178	(866)	312
Total	47,478	(30,265)	17,213

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

3. PARTICULARS OF TURNOVER AND OPERATING COSTS FROM SOCIAL HOUSING LETTINGS

	Year ended 31 March 2018			Total
	General housing	Supported housing	Low cost home ownership	
	£000	£000	£000	£000
Income				
Rent receivable	30,438	10,930	133	41,501
Service charge income	818	2,066	11	2,895
Amortisation of grant	7	-	-	7
Other grant	30	-	-	30
Turnover from social housing lettings	31,293	12,996	144	44,433
Operating Expenditure				
Management	5,162	2,578	39	7,779
Service charge costs	789	2,052	15	2,856
Routine maintenance	2,602	1,084	13	3,699
Planned maintenance	2,106	491	2	2,599
Major repairs	1,792	575	1	2,368
Bad debts	117	43	-	160
Property lease charges	216	43	-	259
Depreciation on housing properties	5,358	1,785	14	7,157
Pension operating charge	1,243	420	7	1,670
Other costs	19	7	-	26
Operating cost of social housing lettings	19,404	9,078	91	28,573
Operating surplus on social housing lettings	11,889	3,918	53	15,860
Void losses	88	80	-	168

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

3. PARTICULARS OF TURNOVER AND OPERATING COSTS FROM SOCIAL HOUSING LETTINGS (CONTINUED)

	Year ended 31 March 2017 (Restated)			Total £000
	General housing £000	Supported housing £000	Low cost home ownership £000	
Income				
Rent receivable	31,568	11,026	192	42,786
Service charge income	808	1,826	14	2,648
Amortisation of grant	11	4	-	15
Other grant	21	-	-	21
Turnover from social housing lettings	32,408	12,856	206	45,470
Operating expenditure				
Management	5,376	2,503	46	7,925
Service charge costs	834	1,693	14	2,541
Routine maintenance	2,727	1,038	20	3,785
Planned maintenance	1,854	557	5	2,416
Major repairs	2,048	884	3	2,935
Bad debts	67	27	-	94
Property lease charges	271	22	-	293
Depreciation on housing properties	5,384	1,795	21	7,200
Pension operating charge	875	336	7	1,218
Other costs	191	79	1	271
Operating cost of social housing lettings	19,627	8,934	117	28,678
Operating surplus on social housing lettings	12,781	3,922	89	16,792
Void losses	109	95	-	204

The Company refined its method of recording and apportioning costs following amalgamation. The main adjustment was the allocating of its repairs and maintenance internal income against its specific corresponding costs rather than using an apportionment method during the year ended 31 March 2018. The year ended 31 March 2017 figures have been restated using the revised method adopted this year.

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

4. SURPLUS ON ORDINARY ACTIVITIES

Operating surplus is stated after charging:	2018 £000	2017 £000 Restated
Auditor's remuneration (excluding VAT) In their capacity as statutory auditors	24	44
Fees payable to the auditors and its associates for other services:		
Taxation compliance services	3	7
Other assurance services for loan covenant certification	1	1
Operating lease rentals		
Other – vehicles	219	339
Land and buildings	287	318
Office equipment	62	65
Inventory recognised as an expense	525	594
Depreciation of housing properties	7,157	7,200
Depreciation of other fixed assets	539	611

2017 surplus on ordinary activities has been amended to reflect the recalculations of deemed cost depreciation.

5. SURPLUS ON DISPOSAL OF FIXED ASSETS

	Low cost home ownership staircasing £000	Right to Buy £000	Others £000	Total 2018 £000
2018				
Proceeds of sales	383	1,588	4,940	6,911
Less: costs of sales	(209)	(1,409)	(2,037)	(3,655)
Surplus	174	179	2,903	3,256
	Low cost home ownership staircasing £000	Right to Buy £000	*Others £000	Total 2017 £000
2017				
Proceeds of sales	280	431	14,321	15,032
Less: costs of sales	(165)	(629)	(7,741)	(8,535)
Surplus/(deficit)	115	(198)	6,580	6,497

* During 2016/17 Magna sold 165 properties to another RP for £11.4 million. The properties had a net book value of £5.6 million. Magna received £3.8 million in grant relating to them, which had been credited to the income and expenditure reserve on transition to FRS102. The purchasing RP has taken on any liability to repay the grant should they dispose of the properties.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

Surplus for the year is stated after crediting:	2018 £000	2017 £000
Bank interest	173	38

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

7. INTEREST PAYABLE AND FINANCING COSTS

	2018 £000	2017 £000 Restated
Defined benefit pension charge	824	859
On loans wholly or partly repayable in more than five years.	4,413	5,534
	<u>5,237</u>	<u>6,393</u>
Less: interest capitalised on housing properties under construction	(1)	-
	<u>5,236</u>	<u>6,393</u>

2017 interest has been amended to ensure effective interest is fully released at the end of our loan.

8. TAXATION

Magna's charitable objects exempt it from corporation tax.

9. DIRECTORS' REMUNERATION

The remuneration paid to key management personnel, i.e. the Chief Executive and executive Directors was:

	2018 £000	2017 £000
Emoluments	461	457
Pension contributions	67	62
	<u>528</u>	<u>519</u>
Emoluments paid to the highest paid Director (the Chief Executive), excluding pension contributions	176	174

Key management personnel include a Finance Director, Property Director and Housing Director (2017: three).

The Chief Executive is an ordinary member of the Local Government Pension Scheme run by Dorset County Council, and no enhanced or special terms are applied. The Employer's contribution in respect of the Chief Executive's fund amounted to £22,924 (2017: £22,717).

From April 2017 Non-Executive Board Members were remunerated for their services (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

9. DIRECTORS' REMUNERATION (CONTINUED)

Non executive Board members received the following remuneration:

	2018	2017
	£000	£000
Asit Acharya	4	-
Tim Ayre	4	-
Debbie Bond	4	-
Graham Clarke	6	-
Phyllida Culpin (appointed 18 September 2017)	2	-
Ryan Gralia (resigned 17 April 2018)	4	-
David Kendall (resigned 27 July 2017)	1	-
Dawn Lang	6	-
Adam Peat	12	-
David Penny	6	-
Donald Rushton (resigned 27 July 2017)	2	-
Jill Williams (appointed 18 September 2017)	2	-
	53	-
	7	10

10. EMPLOYEE INFORMATION

	2018	2017
Average number of full time equivalent employees during the year	370	365

The calculation is based on the numbers of employees at the end of each quarter

	2018	2017
	£000	£000
Staff Costs		
Wages and salaries	9,788	9,277
Social security costs	898	848
Other pension costs	1,755	1,467
	12,441	11,592

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

10. EMPLOYEE INFORMATION (CONTINUED)

The number of employees whose annual remuneration payable, including pension contributions and non-cash benefits, excluding national insurance, exceeded £60,000 was:

	2018	2017
£170,001 to £180,000	1	1
£110,001 to £120,000	1	-
£100,001 to £110,000	-	1
£90,001 to £100,000	1	2
£80,001 to £90,000	2	-
£70,001 to £80,000	4	2
£60,000 to £70,000	7	6
	<u>16</u>	<u>12</u>

11. TANGIBLE FIXED ASSETS

	Housing properties £000	Other tangible assets £000	Total £000
Net book value: At 1 April 2017	348,207	3,366	351,573
	<u> </u>	<u> </u>	<u> </u>
Net book value: At 31 March 2018	345,203	3,555	348,758
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

11. TANGIBLE FIXED ASSETS (CONTINUED)

Housing properties

	Housing properties under construction	Housing properties held for letting	Low cost ownership properties under construction	Completed low cost ownership properties	Total
	£000	£000	£000	£000	£000
Gross book value:					
Cost at 1 April 2017	-	393,250	-	11,308	404,558
Additions in year	-	113	-	-	113
Gifted properties	-	-	-	370	370
Properties under construction	560	-	60	-	620
Redevelopment	-	24	-	-	24
Works to existing properties	-	5,778	-	-	5,778
Disposal of components	-	(1,673)	-	-	(1,673)
Interest capitalised	1	-	-	-	1
Transfer from current assets	-	-	-	21	21
Transfer to current assets	-	-	(27)	-	(27)
Transfer between tenure	11	66	-	(77)	-
Disposals	-	(2,300)	-	(194)	(2,494)
Cost at 31 March 2018	572	395,258	33	11,428	407,291
Accumulated depreciation:					
Depreciation at 1 April 2017 (Restated)	-	55,093	-	1,258	56,351
Charge for the year	-	7,082	-	75	7,157
Disposal of components	-	(1,089)	-	-	(1,089)
Disposals	-	(320)	-	(11)	(331)
Depreciation at 31 March 2018	-	60,766	-	1,322	62,088
Net book value at 31 March 2018	572	334,492	33	10,106	345,203
Net book value at 31 March 2017	-	338,157	-	10,050	348,207

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

11. TANGIBLE FIXED ASSETS (CONTINUED)

	2018	2017
	£000	£000
Housing Properties comprises:		
Freehold land and buildings	343,889	346,893
Long leasehold land and buildings	1,314	1,314
	<u>345,203</u>	<u>348,207</u>
	<u>345,203</u>	<u>348,207</u>
	2018	2017
	£000	£000
Expenditure on works to existing properties in the year:		
Components capitalised	5,802	5,709
Amounts charged to expenditure	8,666	9,136
Development interest capitalised	1	-
Interest rate used for capitalisation (average)	4.67%	-

HOUSING PROPERTIES VALUED AT DEEMED COST

Housing properties held for letting as at 1 April 2014 were professionally valued during April 2014 by Savills as at 31 March 2014. The basis of the valuation was their Existing Use Value – Social Housing ("EUUV-SH"). The valuation was undertaken in accordance with the RICS Asset Valuation Manual. In determining the valuation, the valuers made use of discounted cash flow methods. The discount rate was 5.5%. The valuation incorporates the impact of the Regulator's Rent Influencing guidance, which sets target rents for each property. The rents set were assumed to grow by RPI plus 0.5% in 2014/15, by CPI plus 1.0% per annum until 2025/26 and then by CPI thereafter.

Magna took advantage of transitional relief set out in FRS 102 to restate the value of its properties at deemed cost as at 1 April 2014, the date of transition. To do this it used the 31 March 2014 valuation, less accumulated depreciation.

All grant on transition was treated under the performance model and was released to the Income and Expenditure Reserve. This increased the carrying value of those properties in the Statement of Financial Position.

2017 depreciation has been amended to reflect the recalculation of deemed cost depreciation.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

11. TANGIBLE FIXED ASSETS (CONTINUED)

Other tangible assets

	Freehold property	Maintenance equipment	Computer equipment	Office equipment, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost:						
At 1 April 2017	4,770	259	3,340	998	1,500	10,867
Additions	-	-	151	19	558	728
Disposals	-	-	-	(8)	(31)	(39)
Reclassification of existing assets	-	-	-	663	(663)	-
As at 31 March 2018	4,770	259	3,491	1,672	1,364	11,556
Accumulated depreciation:						
At 1 April 2017	2,608	183	2,906	625	1,179	7,501
Charge for year	57	28	194	109	151	539
Disposals	-	-	-	(8)	(31)	(39)
Reclassification of existing assets	-	-	-	657	(657)	-
As at 31 March 2018	2,665	211	3,100	1,383	642	8,001
Net book value:						
As at 31 March 2018	2,105	48	391	289	722	3,555
As at 31 March 2017	2,162	76	434	373	321	3,366

12. INVESTMENT PROPERTIES HELD FOR LETTING

Net book value:	2018	2017
	£000	£000
At start of year	1,540	1,459
Additions	-	-
Disposals	-	(1)
(Loss)/gain from revaluation	(120)	82
At end of year	1,420	1,540

Investment properties were valued at 31 March 2018 by Savills. Commercial properties have been valued on a desktop basis at £540k. The residential properties valuation, £880k, was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. The properties were valued on a market value basis which we consider to equate to fair value. The key assumptions used for the valuations were:

	2018	2017
Discount rate	5.5%	5.5%
Annual inflation rate	2.5%	2.0%
Level of real long term rent increases	1.0%	1.0%

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

13. GIFT AID

	2018 £000	2017 £000
Gift aid received		
Gift aid from property sales	55	81
Gift aid from reserves	32	-
Gift of property	370	-
	<u>457</u>	<u>81</u>

During the year the company accrued gift aid donations of £87,000 (£55,000 paid in the year) and the gift of 25 shared ownership properties from Magna (West Devon) Limited which has been valued at £370,000.

14. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

CHARTER (S.W.) LIMITED

Charter made a profit before tax of £2,000 in the year (2017: loss £2,000).

The Board believes that the carrying value of the investment £164,000 (2017: £163,000) is supported by underlying net assets.

15. INVENTORIES

	2018 £000	2017 £000
Properties held for resale		
Completed properties for sale	-	105
Work in progress on properties for resale	27	-
Stocks of maintenance materials	274	224
	<u>301</u>	<u>329</u>
 The value of stocks of maintenance materials charged to expenditure in the year was:	 525	 594
	<u>525</u>	<u>594</u>

16. TRADE AND OTHER DEBTORS

	2018 £000	2017 £000
Gross rent arrears	1,412	1,357
Less provision for doubtful debts	(772)	(621)
	<u>640</u>	<u>736</u>
Other debtors	539	462
Prepayments and accrued income	482	512
Amounts owed by subsidiaries	3	-
	<u>1,664</u>	<u>1,710</u>

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

17. DEBTORS: amounts falling due after more than one year

	2018 £000	2017 £000
Debtor: amount falling due after one year	21	21
	<u>21</u>	<u>21</u>

18. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash at bank	24,063	18,258
Sinking fund balances	3,215	3,082
	<u>27,278</u>	<u>21,340</u>

19. CREDITORS: amounts falling due within one year

	2018 £000	2017 Restated £000
Trade creditors	1,209	598
Rents received in advance	1,177	1,051
Other taxes and social security	358	376
Maintenance sinking fund	3,161	3,062
Disposals proceeds fund (Note 23)	105	105
Recycled capital grant fund (Note 22)	237	128
Other creditors	417	551
Pension creditor	116	57
Accruals and deferred income	1,057	784
Amounts owed to subsidiaries	68	68
Loan interest and repayments (Note 21)	10,505	14,131
Social housing pension scheme	181	175
	<u>18,591</u>	<u>21,086</u>

Amounts owed to subsidiaries have been put into a separate line. The recycled capital grant fund and loans now shows amounts falling due within 1 year and after 1 year.

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

20. CREDITORS: amounts falling due after more than one year

	2018	2017
	£000	Restated £000
Loan interest and repayments (Note 21)	127,279	137,784
Social housing grant (Note 24)	644	595
Recycled capital grant fund (Note 22)	456	421
Social housing pension scheme	873	1,053
	<u>129,252</u>	<u>139,853</u>

Grants and loans now show amounts falling due within 1 year and after 1 year.

21. DEBT ANALYSIS

	2018	2017
	£000	Restated £000
Loans repayable by instalments:		
Within one year	10,505	14,131
In one year or more but within two years	10,932	10,505
In two years or more but within five years	85,760	38,096
In more than five years	30,587	89,183
Total loans repayable in more than one year (Note 20)	<u>127,279</u>	<u>137,784</u>
Total Loans	<u>137,784</u>	<u>151,915</u>

At 31 March 2018 Magna had facilities of £147,500,000 (2017: £159,470,000) with consortia led by Lloyds Banking Group plc and Royal Bank of Scotland plc for remaining terms of up to 9 years at rates varying with LIBOR, with options to fix. At 31 March 2018, £127,500,000 (2017: £139,470,000) had been drawn down of which £123,185,000 (2017: £131,000,000) is fixed for periods between 3 and 9 years. The average interest rates for the fixed rates loans are 4.88%. The borrowings are secured by fixed charges over housing property assets. Magna's loans are shown in the financial statements at the present value of the future payments related to those loans, discounted at a market rate of interest for a similar debt (3%). This increases the value of loans to £137,784,000 (2017: £151,915,000).

The debt analysis reflects the change made following the interest rates and interest payable recalculations.

	£000
At 31 March 2018 Magna had the following undrawn borrowing facilities	20,000
	<u>20,000</u>

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

22. RECYCLED CAPITAL GRANT FUND

	2018	2017
	£000	Restated £000
At the start of the year	549	238
Inputs: Grants recycled	164	311
Recycling: New build	(20)	-
At the end of the year	<u>693</u>	<u>549</u>
Amount where repayment may be required within one year	237	128
Amount where repayment required after one year or more	456	421
	<u>693</u>	<u>549</u>

23. DISPOSALS PROCEEDS FUND

	2018	2017
	£000	£000
At the start of the year: Funds recycled	105	105
At the end of the year	<u>105</u>	<u>105</u>
Amounts three years or older where repayment may be required	<u>105</u>	<u>-</u>

24. SOCIAL HOUSING GRANT

	2018	2017
	£000	£000
At the start of the year	595	610
Additions	56	-
Amortised within Statement of Comprehensive Income	(7)	(15)
At the end of the year	<u>644</u>	<u>595</u>
Creditors: Amounts falling due after one year	<u>644</u>	<u>595</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

25. PENSION ARRANGEMENTS

Magna participates in three defined benefit pension schemes as an "Admitted Body":

- (i) Local government scheme administered by Dorset County Council;
- (ii) Local government scheme administered by Somerset County Council; and
- (iii) The Social Housing Pension Scheme.

Magna closed these defined benefit pension schemes to new members on 1 October 2011 and introduced, in their place, a defined contribution scheme.

Dorset County Council Pension Fund

Magna is a member of the Dorset County Council Pension Fund.

A full actuarial triennial valuation was completed as at 31 March 2016 and was updated to 31 March 2018, using suitable methods, by a qualified independent actuary.

The total pension cost for Magna for the year in respect of this Fund was £731,000 (2017: £671,000). The cost is assessed in accordance with advice from a qualified actuary. Employer's contributions to the Fund of £48,074 (2017: £44,796) were included in creditors and paid after the year end. The employer's contributions certified by the actuary to the Fund in respect of the year ending 31 March 2018 were 413.0% (2017: 355.0%) of members' contributions.

The financial assumptions adopted as at 31 March 2018 were:

	2018	2017	2016
Retail price index inflation	3.4% per annum	3.6% per annum	3.3% per annum
Consumer price Index	2.4% per annum	2.7% per annum	2.4% per annum
Salary inflation	3.9% per annum	4.2% per annum	3.9 % per annum
Pension increases	2.4% per annum	2.7% per annum	2.4 % per annum
Discount rate	2.6% per annum	2.7% per annum	3.7 % per annum

Life expectancy

Males retiring today	24.0 years	23.9 years	22.9 years
Females retiring today	26.1 years	26.0 years	25.3 years
Males retiring in 20 years	26.2 years	26.1 years	25.2 years
Females retiring in 20 years	28.4 years	28.3 years	27.7 years

Somerset County Council Pension Fund

Magna is a member of the Somerset County Council Pension Fund. The total pension cost for the year in respect of this Fund was £216,000 (2017: £230,000). The cost is assessed in accordance with advice from a qualified actuary. Employer's contributions to the Fund of £17,319 (2017: £16,271) were included in creditors and paid after the year-end. The employer's contributions proposed by the actuary to the Fund in respect of the year ending 31 March 2018 were 360.0% (2017: 356.1%), of members' contributions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

25. PENSION ARRANGEMENTS (CONTINUED)

The main financial assumptions adopted as at 31 March 2018 were:

	2018	2017	2016
Retail price index inflation	3.3% per annum	3.6% per annum	3.4 % per annum
Consumer price Index	2.3% per annum	2.7% per annum	2.5 % per annum
Salary inflation	3.8% per annum	4.2% per annum	4.3 % per annum
Pension increases	2.3% per annum	2.7% per annum	2.5 % per annum
Discount rate	2.6% per annum	2.8% per annum	3.8 % per annum

Life expectancy

Males retiring today	24.0 years	23.9 years	23.8 Years
Females retiring today	25.2 years	25.0 years	26.2 years
Males retiring in 20 years	26.2 years	26.1 years	26.1 years
Females retiring in 20 years	27.5 years	27.4 years	28.5 years

DORSET AND SOMERSET COUNTY COUNCIL FUNDS

Magna's share of the fair values of each main class of assets held by the Funds as at 31 March 2018 and the expected rates of return for the ensuing year are set out in the following table:

Fair Value:	2018	2017	2016
	£000	£000	£000
Equities	26,066	25,862	20,972
Gilts	5,191	5,696	3,308
Bonds	4,499	4,856	4,367
Property	3,390	3,842	3,947
Cash	912	741	1,294
Other	5,133	2,666	1,744
	45,191	43,663	35,632

Magna's share of the net assets and liabilities of the Dorset and Somerset County Council Pension Funds is set out below:

	2018	2017	2016
	£000	£000	£000
Share of assets	45,191	43,663	35,632
Share of estimated liabilities	(73,100)	(73,859)	(58,919)
Net deficit at 31 March	(27,909)	(30,196)	(23,287)

AMOUNT CHARGED TO SURPLUS

	2018	2017	2016
	£000	£000	£000
Current service cost	(1,387)	(1,058)	(1,301)
	(1,387)	(1,058)	(1,301)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

25. PENSION ARRANGEMENTS (CONTINUED)

AMOUNT CHARGED TO OTHER FINANCE INCOME	2018	2017
	£000	£000
Interest on assets	1,180	1,292
Interest on pension scheme liabilities	(1,989)	(2,127)
Net charge	(809)	(835)

ACTUARIAL GAIN / (LOSS) IN RESPECT OF PENSION SCHEMES

	2018	2017
	£000	£000
Return on assets less interest	1,002	6,459
Change in financial assumptions	2,564	(14,507)
Change in demographic assumptions	-	(755)
Other actuarial gains	-	953
Experience loss on defined benefit obligation	-	1,961
Net gain/(loss)	3,566	(5,889)

The movement in the net deficit for the year to 31 March 2018 is as follows:

	2018		2017	
	£000	£000	£000	£000
Fair value of scheme assets at 1 April	43,663		35,632	
Interest on assets	1,180		1,292	
Return on assets less interest	1,002		6,459	
Other actuarial gains	-		953	
Administration expenses	(30)		(28)	
Contributions by employer including unfunded	947		901	
Contributions by fund participants	237		257	
Estimated benefits paid	(1,808)		(1,803)	
Fair value of scheme assets at 31 March		45,191		43,663
Defined benefit obligations at 1 April	(73,859)		(58,919)	
Service cost	(1,387)		(1,035)	
Interest cost	(1,989)		(2,127)	
Change in financial assumptions	2,564		(14,507)	
Change in demographic assumptions	-		(755)	
Experience loss on defined benefit obligations	-		1,961	
Past service costs including curtailments	-		(23)	
Estimated benefits paid net of transfer in	1,807		1,802	
Contributions by scheme participants	(237)		(257)	
Unfunded pension payments	1		1	
Defined benefit obligations at 31 March		(73,100)		(73,859)
Net deficit at 31 March		(27,909)		(30,196)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

25. PENSION ARRANGEMENTS (CONTINUED)

Social Housing Pension Scheme

Magna participates in the social housing pension scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme. It is not possible for Magna 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 Pension Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes.

The scheme is classified as a 'last-man standing arrangement'. Therefore Magna 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 £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. 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.

Magna has agreed to a deficit funding arrangement. Magna 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 discount rate is revised annually and any impact is recognised as a finance cost.

PRESENT VALUE PROVISIONS

	2018	2017
	£000	£000
Opening provision	1,228	1,336
Unwinding of the discount factor (interest expense)	15	26
Deficit contribution paid	(175)	(163)
Impact of any changes in assumptions	(14)	29
	<hr/>	<hr/>
Closing provision	1,054	1,228
	<hr/>	<hr/>

AMOUNTS CHARGED TO THE STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
	£000	£000
Interest expense	15	26
Impact of any changes in assumptions	(14)	29
	<hr/>	<hr/>
	1	55
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

25. PENSION ARRANGEMENTS (CONTINUED)

ASSUMPTIONS	2018	2017	2016
Rate of discount	1.72%	1.33%	2.06%

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.

As at the 31 March 2018 there were 23 active members of the defined benefit (DB) Scheme (2017: 24) employed by Magna. The annual pensionable payroll for Magna in respect of those DB members was £856,861 (2017: £836,324).

The total pension cost for Magna for the year in respect of this DB Scheme was £139,115 (2017: £136,488). Employer contributions to the DB Scheme of £11,641 (2017: £11,772) were included in creditors and paid after the year end.

Magna closed this defined benefit pension scheme to new members on 1 October 2011 and replaced it with a defined contribution (DC) scheme. As at the statement of financial position date there were 218 active members (2017: 182). The annual pensionable payroll in respect of those DC members was £4,914,234 (2017: £4,074,537).

The total pension cost to Magna for the year in respect of this DC section of the Scheme was £437,918 (2017: £357,230). Employer contributions to the DC section of the Scheme of £38,862 (2017: £32,053) were included in creditors and paid after the year end.

26. OTHER PROVISION

Other provisions are analysed as follows:	2018 £000	2017 £000
Redundancies	24	-
	24	-

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

27. FINANCIAL INSTRUMENTS

	Note	2018 £000	2017 £000
Financial instruments are analysed as follows:			
Financial assets that are debt instruments at amortised cost			
Debtors falling due after one year	17	21	21
Trade receivables	16	640	736
Other receivables	16	1,024	974
		<u>1,685</u>	<u>1,731</u>
Financial liabilities measured at amortised cost			
Bank loans	21	137,784	151,915
Trade creditors	19	1,209	598
Rent in advance	19	1,177	1,051
Sinking Fund	19	3,161	3,062
Disposal Proceeds Fund	19	105	105
Recycled Capital Grant	22	693	549
Social housing grant	20	644	595
Taxes and social security	19	358	376
Owed to subsidiaries	19	68	68
Other creditors	19	2,644	2,620
		<u>147,843</u>	<u>160,939</u>

28. NON-EQUITY SHARE CAPITAL

	2018 £	2017 £
Allotted, issued and fully paid:		Restated
At 1 April	51	52
Shares of £1 issued during the year	26	11
Surrendered during the year	(54)	(12)
	<u>23</u>	<u>51</u>
At 31 March		

Each Member of Magna holds a non-equity share of £1 in Magna. They carry the right to vote at General Meetings of Magna on the basis of one share one vote. No rights to participate in the distribution of the net assets of Magna in the event of a winding up are conferred by the shares. 2017 has been restated to reflect the amalgamated share capital. All shares were cancelled in April 2018 and reissued for Magna.

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

29. CAPITAL COMMITMENTS

Capital commitments at the end of the financial year for which no provision has been made in these financial statements were as follows:

	2018 £000	2017 £000
Contracted	552	-
Authorised but not contracted	5,875	313
	<u>6,427</u>	<u>313</u>
Capital commitments will be funded by:		
Cash or drawings on agreed loan facilities	<u>6,427</u>	<u>313</u>

30. OPERATING LEASES

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

	2018 £000	2017 Restated £000
Land and Buildings:		
Expires in less than one year	9	8
Expires in one year or more but less than two years	33	-
Expires in two years or more but less than five years	59	67
Expires in five years or more	3,656	3,713
Office Equipment:		
Expires in less than one year	-	25
Vehicles:		
Expires in less than one year	36	88
Expires in one year or more but less than two years	60	130
Expires in two years or more but less than five years	16	112
	<u>3,869</u>	<u>4,143</u>

Operating leases have been restated to show the total commitment at the termination date of each lease.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

31. ACCOMMODATION OWNED AND MANAGED

	No. of properties		No. of properties	
	2018		2017	
Under Development at the end of the year				
General needs housing		12		-
Low-Cost home ownership		1		-
		<u>13</u>		<u>-</u>
		<u>13</u>		<u>-</u>
		2018		2017
				Restated
	No. of properties	Owned	No. of properties	Owned
Social Housing		Managed		Managed
Under management at the end of the year				
General needs housing	6,030	57	6,073	62
Supported housing	169	7	171	7
Housing for older people	1,856	-	1,856	-
Low-Cost home ownership	287	8	274	28
Fixed equity	17	-	17	-
	<u>8,359</u>	<u>72</u>	<u>8,391</u>	<u>97</u>
Total social housing units owned and managed	8,359	72	8,391	97
Freehold only	390	-	387	-
	<u>8,749</u>	<u>72</u>	<u>8,778</u>	<u>97</u>
	<u>8,749</u>	<u>72</u>	<u>8,778</u>	<u>97</u>
		2018		2017
		No. of units owned		No. of units owned
Garages				
Under management at the end of the year				
Garages		1,433		1,481
		<u>1,433</u>		<u>1,481</u>

Units have been restated to include properties where we own and manage the freehold.

32. ACCOMMODATION MANAGED BY OTHERS

	2018	2017
	No. of properties	No. of properties
	Managed	Managed
Magna owns/leases property managed by other bodies		
Market rented	25	25
Supported housing	63	63
	<u>88</u>	<u>88</u>
	<u>88</u>	<u>88</u>

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

33. RELATED PARTIES

LEGAL STATUS

Magna Housing Limited is a public benefit entity.

Magna Housing Limited ('Magna') is the ultimate parent undertaking and controlling party of the Group. All bodies are incorporated in England and Wales. The registered office of the Group is Oak House, Poundbury Road, Dorchester, Dorset, DT1 1SW.

Magna is the parent company and provides management and administration services to members of the Group who have agreed to pay for the cost of those services. None of these are consolidated on the basis of materiality.

Affordable Homes UK (West Devon) Limited changed its name during 2018 to Magna (West Devon) Limited.

Name	Incorporated	Registered/Non registered	Legal Status
Charter (S.W.) Limited (CSW)*	Companies Act 2006	Non Registered	Private company limited by shares
Charter (S.W.) Developments Limited (CSD)**	Companies Act 2006	Non Registered	Private company limited by shares
Charter (S.W.) Investments LLP (CSI)***	Companies Act 2006	Non Registered	Limited Liability Partnership
Magna (West Devon) Limited	Companies Act 2006	Non Registered	Private company listed by guarantee

* Charter (S.W.) Limited and Magna (West Devon) Limited are 100% owned subsidiaries of Magna.

** Charter (S.W.) Developments Limited is a 100% owned subsidiary of Charter (S.W.) Limited.

*** Charter (S.W.) Investments LLP is a joint venture between Charter (S.W.) Limited and Charter (S.W.) Developments Limited.

At the end of the financial year one (2017: 2) Board member was a tenant of Magna, holding a standard Magna assured tenancy. No special terms apply. Charges incurred during the year were £5,537 (2017: £11,917) and there was a credit balance of £299 at 31 March 2018 (2017: £150 credit).

The recharge for management and administration services from Magna to Charter (S.W.) Limited is a nominal charge to cover time spent by the Chief Executive and Finance Director on Charter (S.W.) Limited matters. Charges incurred during the year were £nil (2017: £2,000)

Magna owed Charter (S.W.) Limited £68,000 in retentions (2017: £68,000).

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

33. RELATED PARTIES (CONTINUED)

LEGAL STATUS (CONTINUED)

During the year Magna received funds on behalf of Magna (West Devon) Limited. The closing creditor balance shown below includes £33,000 (2017 £18,000) owed by Magna to Magna (West Devon) Limited.

Amounts Charged by members of the Group during the year

	2018 £000	2017 £000
Amounts charged from Magna to Charter (S.W.) Limited for management and administration	-	2
Amounts charged from Magna to Affordable Homes UK (West Devon) Limited for management and administration	3	5

A Summary of Intra-Group Closing Debtor and Creditor Balances

	2018 £000	2017 £000
Charter (S.W.) Limited Intra-Group closing debtor and creditors Balances		
Debtors – Amounts owed by Group Members	68	68
Creditors – Amounts Payable to Group Members	-	2
Magna (West Devon) Limited Intra-Group closing debtor and Creditors Balances		
Debtors – Amounts owed by Group Members	33	18
Creditors – Amounts payable to Group Members	36	86

There is no interest charged on the outstanding balances and they are unsecured debt.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

34. STATEMENT OF COMPREHENSIVE INCOME – PRIOR YEAR ADJUSTMENTS

	Year ended 31 March 2017	Deemed cost depreciation adjustment	Effective interest adjustment	Year ended 31 March 2017 Restated
	£000	£000	£000	£000
Turnover	47,478	-	-	47,478
Operating expenditure	(30,168)	(97)	-	(30,265)
Operating surplus	17,310	(97)	-	17,213
Surplus on disposal of fixed assets	6,497	-	-	6,497
Interest receivable and similar income	38	-	-	38
Interest payable and financing costs	(5,382)	-	(1,011)	(6,393)
Increase in valuation of investment properties	82	-	-	82
Surplus before tax	18,545	(97)	(1,011)	17,437
Gift aid	81	-	-	81
Surplus after tax	18,626	(97)	(1,011)	17,518
Other comprehensive (expenses)				
Actuarial (loss) in respect of pension schemes	(5,918)	-	-	(5,918)
Total other comprehensive (expenses)	(5,918)	-	-	(5,918)
Total comprehensive income for the year	12,708	(97)	(1,011)	11,600

Depreciation has been amended to reflect the recalculation of deemed cost depreciation. This has resulted in an adjustment of £290k across the last four years, with £97k being the adjustment for 2017.

Effective interest has been adjusted to ensure that it is fully released at the end of the loan period.

Creditors have been restated to reflect a more accurate position of amounts due within 1 year and those due after 1 year.

Magna Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

35. STATEMENT OF FINANCIAL POSITION – PRIOR YEAR ADJUSTMENTS

	Year ended 31 March 2017	Deemed cost depreciation adjustment	Effective interest adjustment	Change in creditor ageing	SHPS Change	Year ended 31 March 2017 Restated £000
	£000	£000	£000	£000	£000	£000
Fixed Assets						
Tangible fixed assets	351,863	(290)	-	-	-	351,573
Investment properties	1,540	-	-	-	-	1,540
Investments in Subsidiaries and Joint Ventures	163	-	-	-	-	163
Total Fixed Assets	353,566	(290)	-	-	-	353,276
Current Assets						
Inventories	329	-	-	-	-	329
Trade and other debtors	1,710	-	-	-	-	1,710
Cash and cash equivalents	21,340	-	-	-	-	21,340
	23,379	-	-	-	-	23,379
Creditors: amounts falling due within one year	(7,201)	-	(1,011)	(12,699)	(175)	(21,086)
Net Current Assets	16,178	-	(1,011)	(12,699)	(175)	2,293
Debtors: amounts falling due after more than one year	21	-	-	-	-	21
Total assets less current liabilities	369,765	(290)	(1,011)	(12,699)	(175)	355,590
Creditors: amounts falling due after more than one year	(151,499)	-	-	12,699	(1,053)	(139,853)
Provision for Liabilities						
Pension provision	(31,424)	-	-	-	1,228	(30,196)
Total Net Assets	186,842	(290)	(1,011)	-	-	185,541
Reserves						
Non-equity share capital	-	-	-	-	-	-
Income and expenditure reserve	89,289	-	(1,011)	-	-	88,278
Revaluation reserve	97,592	(290)	-	-	-	97,302
Fair value reserve	(39)	-	-	-	-	(39)
Total Reserves	186,842	(290)	(1,011)	-	-	185,541