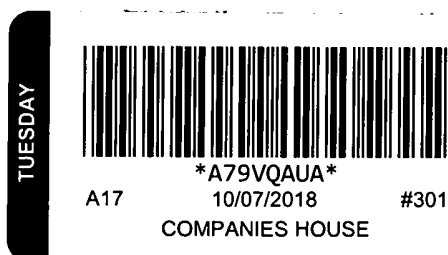


Plexus UK (First Project) Limited
Financial Statements
For the year ended 31 December 2017



Company No. 03311700

REPORT AND FINANCIAL STATEMENTS

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COMPANY INFORMATION

Registration number	03311700
	Registered with the Regulator of Social Housing No: 4757
Registered office	1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
Directors	B Westran J Taranczuk R Jarman R Irwin J Taylor B Cingtho-Taylor M Patterson A Smith E Mahmood G Sims
Secretary	A Smith
Bankers	Barclays Bank PLC Corporate Banking 4 th Floor Bridgwater House Counterslip Finzels Reach Bristol BS1 6BX
Solicitors	BPE St James' House St James' Square Cheltenham Gloucestershire GL50 3PR
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 30 Finsbury Square London EC2A 1AG

REPORT OF THE DIRECTORS

The Directors presents their report and the financial statements of the Company for the year ended 31 December 2017.

Principal activities

Plexus UK (First Project) Limited ("Plexus") is a not-for-profit company involved in the management of social housing property.

Directors

The Directors who served the Company during the year were as follows:

B Westran
J Taranczuk
R Jarman
R Irwin
M Easton (resigned 30 June 2017)
J Taylor
B Cingtho-Taylor (appointed 17 May 2017)
M Patterson (appointed 17 May 2017)
A Smith (appointed 9 October 2017)
G Sims (appointed 9 October 2017)
E Mahmood (appointed 9 October 2017)

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers update 2014, have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

REPORT OF THE DIRECTORS continued

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern consideration

Mears Group PLC, the ultimate parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements. The Company has the financial support from its parent company for at least 12 months from the date of approval of the financial statements to enable it to meet its liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Strategic Objectives

The Board of Plexus approved a new 2017-2019 strategic plan in June 2017. Progress against strategic objectives are summarised below.

Progress on 2017 Objectives:

Objective	Action	Progress
Fully implement Veco (operational system)	Following data transfer finalise the implementation of VECO, our one platform IT infrastructure to enable an improved customer experience and to offer self-service options for residents, landlords, local authorities and other partners	Completed
Adapt our business in anticipation of impact of announced government welfare changes	New Subsidy Arrangements for Temporary Accommodation The roll out of Universal Credit Reduction in the Benefit Cap	Established strong baseline position but further work will be required as Universal Credit is expanded
Improve customer relationship management and responding to customer demand	Introduce systematic transaction customer satisfaction surveys Develop tenant involvement approach Develop effective communication models supporting information and advice to tenants on local employment and financial inclusion	On track Deferred until late 2018 On track
Investigate potential methods of temporary modular build solutions as a way of increasing supply of properties for use as homeless prevention and temporary accommodation	Review options for investment options and construction mode	Deferred until 2018
Continue to improve Governance arrangements	Instruct external advisors to undertake review of current arrangements	External review completed, ongoing programme of actions now running
Continue to grow our leasing schemes	Focus on London and Core cities & adjacent areas	Ongoing

Key Objectives for 2018

This year, the Board will continue to improve Governance arrangements whilst continuing to grow the schemes in the core areas of the business. The teams continue to work closely with Local Authority partners to provide creative and affordable solutions to the housing crisis.

REPORT OF THE DIRECTORS continued

Objective	Timescales
Improve customer relationship management and responding to customer demand	Through to December 2019
Investigate potential methods of temporary modular build solutions as a way of increasing supply of properties for use as homeless prevention and temporary accommodation	September 2018
Continue to improve Governance arrangements	Ongoing
Continue to grow our leasing schemes – longer terms leases	Through to December 2019

Performance Overview:

Financial Year	2016 Actual	2017 Target	2017 Actual	2018 Budget
Revenue, £'000	8,972	13,600	11,939	13,864
Operational Cost, £'000	(10,013)	(13,752)	(12,317)	(13,668)
Exceptional items, £'000	3,701			
Operating Surplus/ Deficit, £'000	2,660	(152)	(378)	196

There are a number of Key Business Performance Indicators which are reported to the Board. There are 7 key measures, tracked to monthly targets, are summarised below, for the full year to December 2017:

KPI	2017 performance	Target
Unit growth	92	235
Voids	4.99%	5.00%
Rent arrears	8.55%	6.00%
Rent loss	2.15%	2.00%
Void period	28 days	15 days
Gas compliance *	99.81%	100%
Valid Fire Risk Assessments **	100%	100%

Included within void days are those properties which remain unoccupied as a result of major works required by the property owner. In addition, some properties are void where a local authority has failed to nominate a suitable tenant. In many of these instances, the void rent loss is shared between the Registered Provider, and the commissioning authority. For 2018, we have introduced further enhancements to Veco to enable these to be reported separately.

* The Gas safety certificate for one property was not obtained as at 31 December 2017 due to access issues. Access was gained in January 2018, and the tenant given an eviction warning.

** A new compliance policy was agreed and implemented to ensure action is taken well ahead of potential breaches.

Housing Services

Plexus UK (First Project) Limited (Plexus) is a company registered with the Regulator of Social Housing (registration number 4757) which provides accommodation to support the activities of local authorities and housing associations and other relevant agencies in providing accommodation for those households who are homeless or have a high degree of housing need.

The company is a private not-for-profit Registered Provider (RP) and is incorporated as a company limited by shares in England and Wales. The company was registered with the Regulator of Social Housing on 18 March 2013. Plexus was acquired by Mears Group PLC on the 3rd of July 2013. The Board consists of four Board members nominated by Mears Group and six recruited Non-Executive Directors. The Board oversees the work of the company and has final say on matters of significance in developing the business and the delivery of services as well as its compliance with all regulatory requirements.

REPORT OF THE DIRECTORS continued

The Business has evolved from its initial business activity of providing short term temporary housing solutions with minimum risk in West London, to providing a number of longer term lease solutions, within a variety of housing products. Plexus has clear business objectives, and sits independently from the rest of the Mears Group operations. This allows for clear differentiation in purpose and risk profile which allows our Partners to understand the purpose and objectives associated to Plexus. This will also assist good governance in clearly demonstrating how risk is evaluated, managed and mitigated.

Mears Group has an overall strategic management approach to the provision of housing management services which consists of four key elements:

- Responding to homelessness
- Providing affordable leased properties
- Providing housing for care, and
- Market renting, including student housing

Within these strands Plexus sees its business as being principally the response to homelessness, providing affordable housing and Care where long term finance secures housing asset for more than 10 years and up to 40 years and delivers social housing outcomes.

Plexus will continue to work closely with Mears National Repairs, and Mears Housing Management to ensure a fully comprehensive Housing service is provided to its residents and Local Authority partners.

Risk Management

Strategic and operational risks are recorded in the Risk Register, which is managed by the Senior Leadership Team for Plexus, and overseen by the Board. The Board will review risks on a quarterly basis. The Register includes detailed mitigation for specific and substantial risks.

The Board is very active when overseeing key Action Plans relating to specific risks. Reviews of controls, compliance and governance are undertaken periodically to provide assurance to operational process and governance, with action plans managed by the Board or Executive as appropriate.

Plexus is also supported by the Mears Group Internal Audit function, and following Group review of the Risk Register, internal audit programmes and planned and implemented taking into account risk ratings of particular reported risks.

Key risks and controls

Policies and procedures	We have written policies and procedures which are kept under review and cover a range of areas intended to manage risks effectively and are signed off by the Board
Business continuity and disaster recovery plans	We have plans in place that are periodically tested, which minimise the risk of interruption to our business in the event of a major interruption to normal business process
Budget and financial plan	We produce annual budgets, in line with established methodology. These budgets, together with quarterly management accounts, cashflow forecasts are reviewed and approved by the Board. Financial plans are stress tested for risk combinations by the Senior Leadership team and Board
Clear delegation and limits of authority	There is an agreed approach to delegated authority which links into the Group approved schedule of delegated authority. This sets out levels of financial decision making authority delegated to it
Internal and external audit	Plexus is supported by the Group Internal Audit function, which plans and implements an annual work programme based on risk register scores
Independent review	The Board can, and has the authority to instruct independent auditors to undertake specific reviews of high risk areas, such as Compliance, Governance and Information systems
Effective Board	There has been recent strengthening of the Board composition, and performance is appraised annually. An approach to succession planning has been developed and a training plan is in development

REPORT OF THE DIRECTORS continued

The current economic environment has placed increased pressure on the existing social housing stock at time when the number of new homes coming into the sector has failed to keep pace with demand.

As a result demand for private rented properties to be used for temporary accommodation has risen. However, as a result of tighter lending criteria from banks coupled with high house prices, more people are confined to renting privately as they cannot afford to buy. This has had the effect of increasing private sector rent levels. Add to this the drive by the government to reduce the Housing Benefit bill with new caps introduced on local housing allowances and Universal credit being introduced; it is not surprising that it has become more difficult to source private rented properties for use as temporary accommodation.

This operating environment therefore impacts on Plexus' business activities. However, there are a number of other strategic risks which have specific control plans in place to ensure adequate management.

Strategic risk	Risk Controls
Regulatory/Legal Compliance; Non-compliance with statutory regulations; health & safety, fire, RSH, Landlord and Tenant legislation	<ul style="list-style-type: none"> Central Group H&S function overseeing operations of Plexus Governance and Compliance function providing assessment and site inspections Independent review of Governance procedures, with detailed recommendations and action plans
Universal Credit - benefit direct to tenants, resulting in increased bad debt	<ul style="list-style-type: none"> Continued training to all relevant staff members, including communication and relationship changes with residents External independent advice sought regarding the treatment of Universal Credit and homeless housing. Advice is being used when liaising with HB and Local Authorities
Day to day repairs; high cost, low quality	<ul style="list-style-type: none"> Control monitoring of procurement procedures Move to Mears National Repairs for improved cost, quality and consistency of service
GDPR non-compliance	<ul style="list-style-type: none"> Comprehensive Group wide plan in place Information hubs and regular updates for all employees Mandatory training for staff Continual review by Group internal audit function

Health & Safety

The board recognises and accepts its legal and moral responsibilities relating to health & safety matters and seeks to ensure the health, safety and welfare of residents, customers, future employees and other persons who may be affected by the way it carries out its activities. A review of health & safety was taken during the period and the policy and procedures have been updated to ensure that a health & safety culture is embedded within the business.

Governance Report

The Board

Member	Role	Appointment date
John Taylor	Executive	25 September 2014
Roy Irwin	Chair	17 April 2014
Andrew Smith	Executive	9 October 2017
Beatrice Cingtho-Taylor	Non- Executive	17 May 2017
Michelle Patterson	Non- Executive	17 May 2017
Jan Taranczuk	Non- Executive	17 April 2014
Roger Jarman	Non- Executive	17 April 2014
Erfana Mahmood	Non- Executive	9 October 2017
Gary Sims	Non- Executive	9 October 2017
Ben Westran	Executive	3 July 2013

REPORT OF THE DIRECTORS continued

The role of the Board

The role of the Board is to provide effective leadership within a framework of prudent and effective controls which enable risks to be assessed and managed well. It develops and promotes its collective vision of the Association's purpose, its culture, its values and the behaviours it wishes to promote in conducting its business. The Board is responsible for the Association's strategic planning and delegates the day-to-day management of the Association to the Chief operating Officer and Senior Leadership Team. In particular, the Board:

- determines strategy and outcomes and provides direction for management to enable the Association to achieve its vision
- creates a performance culture that drives achievement without exposure to excessive risk
- makes well informed and high quality decisions based on a clear and accurate understanding of the business
- creates the right framework for supporting the executive to meet statutory duties and regulatory obligations
- is accountable and transparent in all it does
- delegates day to day management to the staff
- embraces regular evaluation of its effectiveness
- accepts diversity in its composition as an important driver of its effectiveness by creating a breadth of perspective

Corporate governance

The Company has adopted the principal recommendations of the European Confederation of Directors' Associations (ECODA) corporate governance framework for unlisted companies.

Social Housing Regulatory Standards

Plexus is regulated by the Regulator of Social Housing. The Regulator of Social Housing requires full compliance against the following regulatory standards;

- Governance and Financial Viability
- Rent
- Value for Money
- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community

Plexus continually reviews its Regulatory controls and processes to ensure compliance. An independent review of Governance procedures was undertaken by KMPG in December 2017, with recommended actions now being pursued.

Value for money

This Value for Money statement is aimed at our residents, stakeholders, Board Members and staff. It sets out our position on providing an efficient service for all of our customers and creating value for money within the Company.

As a private Registered Provider (RP), economy, efficiency and effectiveness is central to our continued success. We use the principles of commercial awareness to increase our Value for Money whenever possible. Every person in the organisation, from the Chair of the Board to Managers and Administrators are empowered and encouraged to consider the value their actions add to the services the Company provides. This will ensure the Company is able to keep to its long term commitments and go from strength to strength, which is in keeping with the Company's Business Plan.

In keeping with The Regulator of Social Housing (RSH) regulations, the Board is committed to:

- Carrying out an annual Value for Money self-assessment
- Delivering the regulatory requirements of the RSH in relation to Value for Money
- Making decisions on how resources are used to deliver objectives
- Delivering business objectives through a culture of performance management
- Ensuring that every member of the organisation is empowered and encouraged to deliver Value for Money
- Ensuring that there is adequate monitoring and scrutiny in the delivery of Value for Money

REPORT OF THE DIRECTORS continued

The Senior Leadership Team is directly responsible for ensuring the delivery of Value for Money throughout the business.

This is done by carrying out the following:

- Performance reviews where portfolios are losing money or performing poorly, setting clear service and improvement action plans as required
- Overseeing procurement of properties/leases to ensure consistency in approach and best value for the business
- Realistic target setting for the achievement of Value for Money savings and improved outcomes
- Accountability and Ownership reviews for processes and activities

The responsibility for delivering Value for Money lies with all staff throughout the business. We are committed to staff training and development to ensure staff understand the principles of Value for Money and how their action impact on our successful delivery of Value for Money.

We believe in embedding Value for Money by ensuring that it runs throughout the business and that staff is focussed on delivering Value for Money through their goals and objectives.

Remaining financially viable in a challenging market while maximising Value for Money is a key objective. To deliver Value for Money while maintaining financial robustness, we are implementing measures to:

- Review and change our operating models to reduce operating costs and deliver greater value from existing resources
- Update our approach to asset management with the planned implementation of asset management software
- Maximise our return on social investments to increase our social value
- Improve the Value for Money culture within the workforce

Through the continued growth and delivery of our Value for Money strategy, we are forecasting to have an operating surplus by 2018. This will be achieved through a combination of cost efficiencies and economies of scale as a result of growing the business in key areas.

The main areas of focus in the current financial year are:

- Measurement of our improved customer relationships through our Customer Insight Strategy
- Development of our customer access strategy – we will deliver improved access to customers through an enhanced web portal to allow tenants and landlords to communicate with us via a website and through self-service and through Mears 24/7, offering personalised services 24 hours, 7 days a week
- Further automation of our income collection systems and processes to reduce rent arrears and potential bad debt write offs
- Introduction of an asset management structure and strategy to ensure there is a coherent approach to planned investment in properties on long term leases which delivers cost effective investment and is informed by responsive repairs history, demand and market changes and legislative requirements.

The Company has chosen not to own any of its own rentable properties, but instead it leases properties from the open market and then makes them available to either local authorities for use as temporary housing or on the open market at sub-market rent levels. With an increase in the expected market rents for properties in the year, the Company has found it difficult to retain its West London stock of properties as the rental income capped at the local housing allowance rate restricts its flexibility to offer sufficient rents to private landlords. As a result the number of properties managed in the West London area is continuing to decline.

The Company is continuing to grow its portfolio by working with investors who seek to acquire housing stock of good quality whilst the Company retains the long term interest in the lease. This has resulted in the overall number of properties in management by the Company increasing in the year to 1,716 at 31 December 2017 (2016: 1,624).

There are still areas of improvement for the Company and we continue to look closely at costs to ensure that we continue to obtain the best possible value for the services we are paying for and therefore the best value for money for the Company, our residents and our staff.

REPORT OF THE DIRECTORS continued

An area which continues to be of focus to the Company is void rent loss, where no rent is collected due to a property being empty. We continually monitor the void periods and associated cost of all our properties with an aim to minimising these as much as possible. This will be an area for focus in the coming year with an aim to improving the systems and processes to help reduce these losses.

With the Company continuing to charge rents equivalent to the local housing allowance on the majority of its properties, the average rent per property is well below that of the market rates, another area that demonstrates value for money.

The Company has achieved good performance in some areas but we acknowledge that there are other areas where improvements can be made. The Board acknowledges this and will strive to address these in the coming year.

The Regulator of Social Housing technical measures

There are seven technical measures, introduced by the RSH in April 2018 to be reported by every Registered Provider, to ensure greater consistency across the sector:

Measure	2017	2016
Metric 1 – Reinvestment %	Not applicable	Not applicable
Metric 2 – New supply delivered %	0%	0%
Metric 3 – Gearing %	0%	0%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover	0 times	0 times
Metric 5 – Headline social housing cost per unit	£1,275	£1,148
Metric 6a – Operating Margin % (social housing lettings only)	(1.06%)	(4.12%)
Metric 6b – Operating Margin % (overall)	(3.17%)	(11.60%)
Metric 7 – Return on capital employed (ROCE)	(2.83%)	(119.93%)

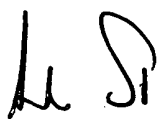
Small company provisions

The Report of the Directors has been prepared in accordance with the special provisions for small companies under Section 415A of the Companies Act 2006.

Auditor

Grant Thornton UK LLP offers itself for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006.

This report was approved by the Board on 28 June 2018 and signed on its behalf.



A Smith
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PLEXUS UK (FIRST PROJECT) LIMITED

Opinion

We have audited the financial statements of Plexus UK (First Project) Limited (the 'company') for the year ended 31 December 2017 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2016; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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 company 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.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the report of the directors on pages 2 to 3, other than the financial statements and our auditor's report thereon. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PLEXUS UK (FIRST PROJECT) LIMITED continued

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Directors' Report.

Responsibilities of directors for the financial statements


As explained more fully in the directors' responsibilities statement set out on page 2, the directors 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Elizabeth Collins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 June 2018

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	11,938,501	8,972,414
Less: Operating costs	3	(12,316,604)	(10,013,461)
Operating deficit	6	(378,103)	(1,041,047)
Exceptional items	7	–	3,700,993
Interest payable and similar charges	8	(97,075)	(100,439)
(Deficit)/surplus on ordinary activities before taxation		(475,178)	2,559,507
Tax on (deficit)/surplus on ordinary activities	11	–	–
(Deficit)/surplus charged against balance brought forward		(475,178)	2,559,507

The Company has no surpluses or deficits other than those included in the income and expenditure account as set out above.

All activities of the Company are classed as continuing.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

BALANCE SHEET at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Fixed Assets					
Intangible assets					
Software	12		–		9,499
Acquisition intangibles	12		–		218,023
Tangible fixed assets	13		1,236		12,217
			<u>1,236</u>		<u>239,739</u>
Current assets					
Debtors	14	3,772,206		1,582,383	
Cash at bank and in hand		2,510,470		241,618	
		<u>6,282,676</u>		<u>1,824,001</u>	
Creditors: amounts falling due within one year	15	(4,655,185)		(1,195,681)	
Net current assets			<u>1,627,491</u>		<u>628,320</u>
Total assets less current liabilities			<u>1,628,727</u>		<u>868,059</u>
Creditors due more than one year	16	(6,287,400)		(4,593,371)	
Provisions	17		–		(458,183)
Net liabilities			<u>(4,658,673)</u>		<u>(4,183,495)</u>
Capital and reserves					
Share capital	18		100		100
Revenue reserve			(4,658,773)		(4,183,595)
			<u>(4,658,673)</u>		<u>(4,183,495)</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to small companies within part 15 of the Companies Act 2006.

Approved by the Board on 28 June 2018.



A Smith
Director

Company number: 03311700

The accompanying accounting policies and notes form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Total £
At 1 January 2016	100	(6,743,102)	(6,743,002)
Surplus for the year	–	2,559,507	2,559,507
At 31 December 2016	<u>100</u>	<u>(4,183,595)</u>	<u>(4,183,495)</u>
	Share capital £	Profit and loss account £	Total £
At 1 January 2017	100	(4,183,595)	(4,183,495)
Deficit for the year	–	(475,178)	(475,178)
At 31 December 2017	<u>100</u>	<u>(4,658,773)</u>	<u>(4,658,673)</u>

The accompanying accounting policies and notes form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. LEGAL STATUS

The Company is registered as a limited Company under the Companies Act 2006 and also a not-for-profit social housing provider by the Regulator of Social Housing (RSH).

2. ACCOUNTING POLICIES

Statement of compliance

Plexus UK (First Project) Limited is a limited liability company incorporated in the United Kingdom. Its registered office is 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2017.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, including FRS 102, the Companies Act 2006, and the Statement of Recommended Practice: Accounting by Registered Social Landlords Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2016. The financial statements have been prepared on the historical cost basis except for any modification to a fair value basis for certain financial instruments specified in the accounting policies below. The financial statements are presented in Sterling (£).

Summary of disclosure exemptions

The Company has taken advantage of the reduced disclosures for subsidiary entities provided for in FRS 102 and has therefore not provided a Statement of Cash Flows.

Name of parent of group

These financial statements are consolidated in the financial statements of Mears Group PLC.

The financial statements of Mears Group PLC may be obtained from The Company Secretary, Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

Turnover

Turnover comprises rental income receivable in the period and other services included at the invoiced value (excluding VAT) of goods and services supplied in the period.

Intangible assets

Software is stated at cost less amortisation. Amortisation is calculated so as to write off the cost of software, over the useful economic life of that software as follows:

Software	-	33% straight line
Property leases acquired	-	over the average life of the property leases acquired

Fixed assets

Other fixed assets are stated at cost less depreciation. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and equipment	-	33% straight line
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Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

Significant judgements and estimates

There were no significant judgements or estimates required in preparing these financial statements.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only where it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Value Added Tax

The Company is able to charge value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Company and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the period end is included as a current liability or asset.

Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

Financial assets

Basic financial assets, including trade and other debtors, amounts owed by Group companies, cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Cash and cash equivalents include cash at bank and in hand and bank deposits available with no notice or less than three months' notice from inception that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Financial liabilities

Basic financial liabilities, including trade and other creditors, accrued expenses, and amounts owed to Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

Financial instruments - continued

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Shares

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Reserves

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	2017			2016		
		Turnover £	Operating Costs £	Operating Surplus /(Deficit) £	Turnover £	Operating Costs £	Operating Surplus /(Deficit) £
Social Housing Lettings	4	11,938,501	(12,064,748)	(126,247)	8,972,414	(9,341,703)	(369,289)
Non Social housing activities							
Audit and accountancy fees		–	(10,000)	(10,000)	–	(8,333)	(8,333)
General expenses		–	(241,856)	(241,856)	–	(663,425)	(663,425)
		<u>11,938,501</u>	<u>(12,316,604)</u>	<u>(378,103)</u>	<u>8,972,414</u>	<u>(10,013,461)</u>	<u>(1,041,047)</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

			2017	2016
	General needs housing £	Other £	Total £	Total £
Income				
Rent receivable net of identifiable service charges	11,930,345	–	11,930,345	8,856,930
Other income	–	8,156	8,156	115,484
Turnover from social housing lettings	11,930,345	8,156	11,938,501	8,972,414
Expenditure				
Rent payable on leased properties	9,572,832	–	9,572,832	6,879,390
Direct wages	15,829	–	15,829	41,001
Property rates, light and heat	227,345	–	227,345	1,336,855
Routine maintenance	1,452,885	–	1,452,885	222,291
Management	289,940	–	289,940	177,440
Legal fees	196,624	–	196,624	72,321
Bad debts	303,663	–	303,663	598,361
Other costs	5,630	–	5,630	14,044
Operating costs on social housing lettings	12,064,748	–	12,064,748	9,341,703
Operating surplus / (deficit) on social housing lettings	(134,403)	8,156	(126,247)	(369,289)

Void losses amounted to £25,879 during the year (2016 void losses: £83,165).

5. ACCOMMODATION IN MANAGEMENT

The number of units of accommodation in management at the end of each period for each class of accommodation is as follows:

	2017 No.	2016 No.
Social Housing		
General needs		
- Social rent	1,716	1,624

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

6. OPERATING DEFICIT

Operating costs include:

	2017	2016
	£	£
Auditor's remuneration		
- for the audit of the Company's financial statements	6,000	8,000
Amortisation of intangible assets	227,522	661,726
Depreciation of tangible fixed assets	11,241	-
Hire of plant and equipment	435	1,587
Operating lease rentals:		
- land and buildings	2,770,761	6,906,554
- motor vehicles	13,652	7,062

7. EXCEPTIONAL ITEMS

	2017	2016
	£	£
Write off of amounts owed to group undertakings	-	3,700,993

Exceptional items recognised in the prior year comprise £3,700,993 in respect of the write off of amounts owed to group entities. Intercompany loans totalling £3,869,545 owed to Helcim Group Limited, the immediate parent company, and intercompany loans totalling £168,552 owed by Plexus UK (Systems) Limited, a group company, were written off during the prior year.

8. NET INTEREST

	2017	2016
	£	£
Interest payable on bank borrowing	(16)	-
Other interest paid	(89)	-
Interest payable on loan from group undertakings	(223,355)	(103,000)
	(223,460)	(103,000)
Interest receivable on bank borrowing	-	2,561
Interest receivable from group companies	126,385	-
Net interest payable	(97,075)	(100,439)

9. EMPLOYEES

	2017	2016
	No.	No.
Average monthly number of employees (full time equivalents)	7	8
Staff costs:	£	£
Wages and salaries	133,700	76,399
Social security costs	13,923	11,143
Pension costs	133	-
	147,756	87,542

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

10. BOARD MEMBERS AND EXECUTIVE DIRECTORS

Total remuneration paid to Board Members in respect of the year was:

	£	£
B Cingtho-Taylor	4,000	–
M Easton	2,000	4,000
R Jarman	4,000	4,000
E Mahmood	1,032	–
M Patterson	4,000	–
G Sims	1,031	–
J Taranczuk	4,000	4,000
	<u>20,063</u>	<u>12,000</u>

The Executive Directors received no remuneration during the period, and are remunerated by other Group companies.

11. TAXATION

Analysis of the tax charge

The tax charge on the deficit on ordinary activities for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	–	–
Adjustments for prior periods	–	–
	<u>–</u>	<u>–</u>
Tax on (deficit)/surplus on ordinary activities	<u>–</u>	<u>–</u>

The deferred tax asset, arising from tax losses of £4,145,000 (2016 - £4,145,000) carried forward has not been recognised due to the unpredictability of future profit streams but would become recoverable against future trading surpluses.

Factors affecting tax charge for the year

The tax assessed on the deficit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. During the period the average corporation tax rate was 19.25% (2016: 20.00%).

	2017 £	2016 £
(Deficit)/surplus for the year before taxation	<u>(475,178)</u>	<u>2,559,507</u>
(Deficit)/surplus for the year multiplied by standard rate of tax	<u>(91,472)</u>	<u>511,901</u>
Effects of:		
Depreciation in excess of capital allowances	94,662	133
Timing differences on provisions	(15,881)	–
Income not subject to tax	–	(740,199)
Group relief	12,210	228,165
Permanent differences and other	481	–
	<u>–</u>	<u>–</u>
Total tax charge for the year	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

12. INTANGIBLE ASSETS

	Computer Software	Property Leases Acquired	Total
	£	£	£
Cost			
At 1 January 2017	28,416	872,093	900,509
Additions	—	—	—
Disposals	—	—	—
At 31 December 2017	28,416	872,093	900,509
Depreciation			
At 1 January 2017	18,917	654,070	672,987
Charge for the period	9,499	218,023	227,522
Eliminated in the period	—	—	—
At 31 December 2017	28,416	872,093	900,509
Net book value			
At 31 December 2017	—	—	—
At 31 December 2016	9,499	218,023	227,522

Amortisation of intangible assets is included within other operating charges. On 22 April 2017, the company acquired the trade and assets of Chapter 1 Charity Ltd, a company registered with the Regulator for Social Housing for £1. Included within the acquisition were 832 property leases in the South West of England. The average length of the property leases acquired was one year.

13. TANGIBLE ASSETS

	Plant and machinery
	£
Cost	
At 1 January 2017	14,302
Additions	260
Disposals	—
At 31 December 2017	14,562
Depreciation	
At 1 January 2017	2,085
Charge for the period	11,241
Eliminated in the period	—
At 31 December 2017	13,326
Net book value	
At 31 December 2017	1,236

At 31 December 2016

12,217

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

14. DEBTORS

	2017 £	2016 £
Rent and service charges receivable	2,950,916	1,757,804
Less: provision for bad and doubtful debts	(1,377,077)	(640,015)
	<u>1,573,839</u>	<u>1,117,789</u>
Prepayments	148,027	233,181
Amounts owed by group undertakings	2,021,509	—
Other debtors	28,831	231,413
	<u>3,772,206</u>	<u>1,582,383</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	2,552,583	1,176,004
Other taxes and social security costs	910,658	19,156
Accruals and deferred income	1,136,057	—
Other creditors	55,887	521
	<u>4,655,185</u>	<u>1,195,681</u>

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

	2017 £	2016 £
Amounts owed to group undertakings and undertakings in which the Company has a participating interest	<u>6,287,400</u>	<u>4,593,371</u>

17. PROVISIONS

	2017 £	2016 £
Onerous contract provision	<u>—</u>	<u>458,183</u>

18. SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

19. OPERATING LEASE COMMITMENTS

Rental payments which the Company is committed to making on operating leases for the rental of properties are as follows:

	31 December 2017	31 December 2016
Rental commitments payable:		
Within one year	5,143,335	4,637,037
Between two and five years	12,480,133	10,269,437
After more than five years	37,678,901	25,899,992
	<u>55,302,369</u>	<u>40,806,466</u>

20. FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

	2017 £	2016 £
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	2,950,916	1,757,804
Other debtors	28,831	231,413
Amounts owed by group undertakings	2,021,509	–
	<u>5,001,256</u>	<u>1,989,217</u>
Financial liabilities measured at amortised cost		
Trade creditors	2,552,583	1,176,004
Amounts owed to group undertakings	6,287,400	4,593,371
Other creditors	55,887	521
	<u>8,895,870</u>	<u>5,769,896</u>

21. ULTIMATE CONTROLLING PARTY

The immediate parent company is Helcim Group Limited and the Ultimate parent company is Mears Group PLC, both of which are incorporated in England and Wales.

The largest and smallest group of undertakings for which Group accounts have been drawn up is that headed by Mears Group PLC. The accounts are available from The Company Secretary, Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH.