

Guernsey Housing Association LBG

Financial Statements
For the year ended
31 December 2015

Guernsey Housing Association LBG
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Directors

Mr Q Spicer
Miss J Bray
Mr C Hill
Mr R Francis
Mr I Bloese

Registered Office

First Floor, Newlands House
Lowlands Trading Estate
Braye Road
Vale
Guernsey
GY3 5XJ

Auditor

Saffery Champness
La Tonnelle House
Les Banques
St. Sampson
Guernsey
GY1 3HS

Bankers

RBS International
Royal Bank Place
1 Glatigny Esplanade
St Peter Port
Guernsey
GY1 4BQ

HSBC Bank plc
P O Box 31
St Peter Port
Guernsey
GY1 3AT

The directors present herewith the audited financial statements for the year ended 31 December 2015.

Directors' Responsibilities

The directors' responsibilities are set out on page 3.

Principal Activity

The principal activity of the company is to provide, manage and maintain high quality residential housing at affordable rents to persons considered to be in need of such accommodation.

Results and Dividends

The Statement of Income and Retained Earnings for the year is set out on page 5. The company is a charitable company and as such is prohibited from making any form of distributions to members.

Directors

The directors of the company during the year and to the date of this report were:

Mr Q Spicer
Miss J Bray
Ms M Levrier (did not seek re-election 16 June 2015)
Mr C Hill
Mr R Francis
Mr I Bloese

None of the directors received any remuneration from the company.

Each of the directors at the date of approval of the financial statements confirms that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware;
and
- each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be proposed at the Annual General Meeting.

By Order of the Board

Richard Francis

Date: 17 June 2016

STATEMENT OF 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 Generally Accepted Accounting Principles (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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 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 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 to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GUERNSEY HOUSING ASSOCIATION LBG**

We have audited the financial statements of Guernsey Housing Association LBG for the year ended 31 December 2015, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

This report is made solely to the company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or
- the financial statements are not in agreement with the accounting records, or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Saffery Champness

SAFFERY CHAMPNESS
CHARTERED ACCOUNTANTS
GUERNSEY

DATE: 17 June 2016

Guernsey Housing Association LBG
STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended 31 December 2015

	Notes	2015 £	2014 £
TURNOVER	3	7,737,941	5,612,500
Gain on the disposal of fixed assets	4	1,699,575	1,811,134
Operating expenditure	3	(4,527,550)	(3,094,777)
OPERATING SURPLUS	3	4,909,967	4,328,857
Other income		20,070	22,280
Finance income		11,883	7,878
Finance charges	6	(2,775,463)	(3,852,421)
SURPLUS FOR THE YEAR		2,166,457	506,594
Retained surplus at 1 January		572,709	66,115
Retained surplus at 31 December		2,739,166	572,709

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102 (see note 30).

The notes on pages 8 to 21 form an integral part of these financial statements.

Guernsey Housing Association LBG
STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Notes	2015 £	2014 £
FIXED ASSETS			
Incomplete development expenditure	9	6,941,593	5,927,768
Completed developments held for letting	10	121,269,188	114,867,471
Completed developments partial ownership	11	22,069,534	21,514,025
Land	8	3,122,897	1,151,124
		<hr/>	<hr/>
Housing properties		153,403,212	143,460,388
Other tangible assets	13	17,776	28,517
Investment in subsidiary undertaking	12	-	-
		<hr/>	<hr/>
		153,420,988	143,488,905
CURRENT ASSETS			
Trade and other debtors	14	1,274,438	3,286,935
Incomplete development expenditure	9	720,641	609,168
Cash and cash equivalents	23	3,882,685	2,337,101
		<hr/>	<hr/>
		5,877,764	6,233,204
CREDITORS: Amounts falling due within one year			
Creditors	14	4,841,157	7,592,991
SWAP liabilities		-	4,457,420
		<hr/>	<hr/>
		4,841,157	12,050,411
NET CURRENT ASSETS/(LIABILITIES)		<hr/>	<hr/>
		1,036,607	(5,817,207)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		154,457,595	137,671,698
CREDITORS: Amounts falling due after more than one year			
Bank loans	17	-	64,212,688
States of Guernsey Loans	17	73,284,767	-
Deferred income	16	78,280,762	72,742,728
Partial ownership provision	18	152,900	143,573
		<hr/>	<hr/>
		151,718,429	137,098,989
		<hr/>	<hr/>
		2,739,166	572,709
RESERVES		<hr/>	<hr/>
Reserves		2,739,166	572,709
		<hr/>	<hr/>

The comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102 (Note 30).

These financial statements were approved by the Board and authorised for issue on 17 June 2016.
and were signed on its behalf by:

Richard Francis

The notes on pages 8 to 21 form an integral part of these financial statements.

Guernsey Housing Association LBG
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash generated from operating activities	21	7,553,359	4,954,290
Cash flow from investing activities			
Construction of properties	8,9	(16,746,850)	(32,234,026)
Grants received		4,999,920	6,165,000
Grants repaid		(127,500)	(53,500)
Sale of properties		4,846,922	3,625,642
Purchase of fixed assets		(5,044)	(20,528)
		<u>520,807</u>	<u>(17,563,122)</u>
Cash flow from financing activities			
Interest received		11,883	7,878
Interest paid		(7,461,438)	(1,869,226)
Loan advances received		80,797,857	21,089,104
Loans repaid		(72,343,594)	(1,751,599)
Administration fee received		20,070	22,280
		<u>1,024,778</u>	<u>17,498,437</u>
Net change in cash and cash equivalents		1,545,585	(64,685)
Cash and cash equivalents 1 January		2,337,101	2,401,786
Cash and cash equivalents 31 December		<u>3,882,686</u>	<u>2,337,101</u>
Cash and cash equivalents 31 December			
Cash		3,882,686	2,370,520
Bank overdraft		-	(33,419)
		<u>3,882,686</u>	<u>2,337,101</u>

The notes on pages 8 to 21 form an integral part of these financial statements.

1. LEGAL STATUS

Guernsey Housing Association LBG is a limited by guarantee company incorporated in Guernsey under The Companies (Guernsey) Law 2008. The company was incorporated on 1 March 2002. The principal activity of the company is to provide social housing and associated housing management services.

The registered office is First Floor, Newlands House, Lowlands Trading Estate, Braye Road, Vale, Guernsey, GY3 5XJ.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

CONVENTION

These financial statements have been prepared in accordance with the historical cost convention, show a true and fair view and are in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("the SORP") and FRS102, except for the treatment of the recycled capital grant fund, which is retained as available for the buyback of partial ownership properties rather than for the use as grant allocation towards future projects.

The company's financial statements have been prepared in compliance with FRS102 as it applies to the financial statements of the company for the year ended 31 December 2015. The company transitioned from previously extant UK GAAP to FRS102 as at 1 January 2014. An explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 30.

The company does not fall within the recovery of capital grant regulations and is not required to either return or recycle capital grants released on the sale of partial ownership properties. The company allocates grants released on subsequent partial ownership sales for the future buy back of partial ownership properties.

Guernsey Housing Association LBG is a public benefit entity.

The principal accounting policies adopted by the directors are summarised below.

ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors. Judgements have been made in determining the appropriate depreciation rates used in the useful economic lives of properties and in the assessment of any potential impairment on completed properties and incomplete developments. The assessment of impairment resulted in no adjustment being made to the value of completed properties as the valuations prepared by Dunneil Robertson Partnership Limited shown in notes 10 and 11 are all above cost.

FIXED ASSETS

Housing properties

Housing properties are included at cost, including the incidental costs of acquisition. All direct costs of development, including demolition and clearance of the sites and subsequent reconstruction, and the direct costs of financing each development, are capitalised. Other directly attributable costs of the company are attributed to each development on the basis of the proportion of time spent by the company's employees in relation to the acquisition and development of each site.

Housing properties in the course of development are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

Directly attributable costs of administering development projects have been capitalised in accordance with FRS102. £130,614 of such expenditure has been allocated to the costs of housing developments in the year.

The costs of acquiring freehold land for development are included within "Land". Land donated or transferred at a price less than the open market value of the land is included in the Statement of Financial Position at the market value at the date it is received. Subsequent development expenditure is initially disclosed under the category of "Incomplete development expenditure", until such time as properties reach the stage of practical completion and are made available to let or sell, at which time the expenditure is re-classified within "Completed developments".

2. ACCOUNTING POLICIES (continued)

FIXED ASSETS (continued)

Thereafter, individual housing properties are carried at cost less accumulated depreciation, except where the directors' estimate of the net realisable value is less than its depreciated historical cost, in which case a provision for impairment in value is made and the property is carried at the directors' estimate of its net realisable value.

Where housing properties are carried at cost the resulting impairment in the carrying value of the asset is recognised in the Statement of Income and Retained Earnings.

Once the use of individual housing properties has been specified, housing properties are classified as being either "completed development held for letting" or "completed development partial ownership" properties, and separate disclosure of costs and valuations are made in relation to each class of asset.

Where properties classified as "completed development partial ownership" properties are recorded as partially sold, this signifies that a proportion of the rights in the freehold of the property (of between 40% and 80%) has been sold to the tenant, who rents from the company the remaining proportion of the freehold still owned by the company.

The profit or loss on first tranche sales of partial ownership properties is disclosed in the Statement of Income and Retained Earnings.

Depreciation

Freehold land is not depreciated.

Depreciation is provided on completed housing properties. Depreciation is calculated on the carrying value of housing properties, net of the cost of land, on a straight-line basis over the expected useful economic lives, which has been set taking into account internal professional sources. Each component within its housing property is depreciated as follows:

Component	UEL (years)
Housing structure	75
Roofs	75
Electrics	50
Lifts	25
Doors and windows	25
Bathrooms	25
Heating systems	20
Kitchens	15

Depreciation on other tangible fixed assets is calculated to write down their cost to their estimated residual value over the period of their estimated useful economic lives. The depreciation rate employed for office and computer equipment is 33.3% per annum on a straight line basis. The depreciation rate for office improvements is 20% per annum on a straight line basis.

The carrying value of tangible fixed assets are reviewed annually for impairment where the useful economic life is greater than 50 years.

GRANTS RECEIVED

Grants received from the States of Guernsey of £78,280,762 (2014: £72,742,728) as a capital cost towards the cost of housing schemes are recognised in income on a systematic basis over the useful life of the asset (the accruals method) in accordance with the SORP. Prior to satisfying the recognition conditions (e.g. development grant is recognised on practical completion of new build properties), such grants are held as deferred income on the Statement of Financial Position. The adoption of the SORP changed the accounting for grant income and required a restatement of prior period results. The effects of these restatements are shown in note 30.

Where land has been donated by the States of Guernsey, or transferred from the States of Guernsey at a valuation below market value, the difference between the current market value at the date of transfer and the transfer price is treated as a grant received. Land grant is recognised on the date of conveyance and subsequently recognised in income on a systematic basis over the useful life of the asset (the accruals method) in accordance with the SORP.

2. ACCOUNTING POLICIES (continued)

TURNOVER

Turnover represents rental income and service charges receivable from housing properties, grants and other income and is accounted for on an accruals basis. Rental and service charge income is recognised from the point when properties under development reach practical completion and become available for letting on a weekly basis on the Saturday it falls due or on a monthly basis as it falls due. Other income is recognised as receivable on the delivery of the services provided.

INTEREST PAYABLE

The interest charges incurred in relation to the provision of the company's long term financing arrangements on incomplete developments are being capitalised within the cost of each development and recognised in the Statement of Financial Position.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument. The effect of discounting on all of the company's financial instruments is not considered material. Except where stated, the carrying values of all financial instruments are considered to reflect their fair value.

Financial assets

Trade debtors

These are non derivative short term financial assets and they arise principally through property rental leases with tenants. The amounts receivable are measured at transaction price less any impairment.

Cash at bank

This comprises balances of cash on call and in short term deposits with banks, which are initially recognised at cost. Interest income on cash balances held with banks is recognised by applying the effective interest rate applicable to each account.

Financial liabilities

The company's non-derivative financial liabilities are defined below. The company has no financial liabilities designated as "at fair value through profit or loss". The company derecognises financial liabilities only when the company's obligations are discharged, cancelled or expired.

Trade and other creditors

Short term trade and other creditors are measured at transaction price. Other creditors are initially recognised at fair value and subsequently measure at amortised cost using the effective interest rate method.

Bank and government borrowings

These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, with interest expense being recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The directors of the company consider the functional and presentational currency of the company to be sterling, as predominantly all of the transactions undertaken by the company are denominated in sterling.

GROUP ACCOUNTS

The financial statements present information about the company as an individual undertaking and not about its group. The company has taken advantage of the exemption provided by FRS102 9.3 (g) "requirement to present consolidated financial statements" not to prepare group financial statements.

2. ACCOUNTING POLICIES (continued)

OPERATING LEASES

Rentals payable under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expenses equal to the amount owed to the lessor.

3. TURNOVER AND OPERATING EXPENDITURE

The turnover and operating costs for the year derive wholly from continuing activities.

4. GAIN ON DISPOSAL OF FIXED ASSETS

This represents net income from the sale of properties, from partial ownership sales and the disposal of fixed assets.

	2015 £	2014 £
Partial Ownership Properties		
Proceeds from the disposal of properties	5,294,622	5,892,975
Value of properties disposed	(3,821,567)	(4,081,841)
Surplus on the sale of fixed assets	1,473,055	1,811,134
Fixed Assets		
Proceeds from the disposal of properties	692,875	-
Value of properties disposed	(466,355)	-
Surplus on the sale of fixed assets	226,520	-
Total gain on disposal of fixed assets	1,699,575	1,811,134
5. OPERATING SURPLUS	2015	2014
Operating surplus is stated after charging	£	£
Auditor's remuneration	35,125	37,110
Depreciation	2,385,808	1,560,567
6. INTEREST PAYABLE AND SIMILAR CHARGES	2015	2014
	£	£
Amortisation of finance costs	1,388,873	51,796
Bank loan and overdraft interest	2,002,010	-
SWAP breakage costs	3,842,000	-
	7,232,883	51,796

The amortisation of finance costs is attributable to the arrangement fees on loan facilities with Royal Bank of Scotland International and HSBC Bank plc. In accordance with the company's accounting policies, certain borrowing costs have been capitalised during the year.

During 2015 loan arrangements were put in place with the States of Guernsey to replace previous loan facilities with the Royal Bank of Scotland International and HSBC Bank plc. As the new loan arrangements are at fixed rates, interest rate hedging was no longer required to mitigate any interest rate risk. The company closed out the interest rate SWAPS at a cost of £3,842,000 during 2015. Due to the revised accounting treatment in 2014 under FRS102, the resulting accounting profit was £615,420, as £4,457,420 was recognised in retained earnings in previous years.

7. TAXATION

No provision for taxation is included in these financial statements, as the company has been granted exemption from taxation by the Administrator of Income Tax on account of its charitable status.

8. LAND	2015
	£
COST/VALUATION	
At 1 January 2015	1,151,124
Additions in the year	3,122,896
Transfer (note 10)	(509,756)
Transfer (note 11)	(641,367)
	<hr/>
At 31 December 2015	3,122,897
	<hr/>

9. INCOMPLETE DEVELOPMENT EXPENDITURE	2015
	£
COST/VALUATION	
At 1 January 2015	6,536,936
Additions in the year	11,251,368
Transfer (note 10)	(7,270,971)
Transfer (note 11)	(2,855,099)
	<hr/>
At 31 December 2015	7,662,234
	<hr/>

The company has incurred finance costs on loans to finance developments. Where these costs relate to incomplete developments they have been capitalised and added to the cost of developments. During the year £223,580 (2014 £330,195) of interest has been capitalised and added to the cost of development.

The SORP requires that partial ownership properties under construction are split between fixed assets and current assets. The split is determined by the percentage of property to be sold under first tranche sales. Incomplete development expenditure relates to 19 properties at La Nouvelle Maritainne Phase 2, 27 properties at Le Grand Courtii Phase 2 and 20 properties at Warry's Bakery, of which, 28 are partial ownership properties. For the purpose of determining the current asset, we expect that 50% of each partial ownership unit will be sold as first tranche sales. This results in £720,641 being reflected as a current asset.

Split between current and fixed assets	2015	2014
	£	£
Fixed assets	6,941,593	5,927,768
Current assets	720,641	609,168
	<hr/>	<hr/>
	7,662,234	6,536,936
	<hr/>	<hr/>

The directors consider that capitalised development expenditure within incomplete development costs will give rise to future benefits.

The expenditure within incomplete development is on projects where a land contract has been signed. At the outset the projects are agreed with the Housing Department that they meet a housing need, are in a suitable location and if proven viable receive grant support. Once agreed with the Housing Department a feasibility financial appraisal is carried out using Proval viability software.

12. INVESTMENT IN SUBSIDIARY UNDERTAKING

Alderney Housing Association Limited, a company limited by guarantee was incorporated in Alderney on 19 August 2010 and is a wholly owned subsidiary of Guernsey Housing Association LBG, with a member contribution limited to £10 in the event of the company's insolvency. The results of Alderney Housing Association Limited have not been consolidated into these accounts as the company has taken advantage of the exemption provided by FR102 9.3 (g).

13. OTHER TANGIBLE ASSETS

	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Office Improvements</u>	<u>Total</u>
	£	£	£	£
COST				
At 1 January 2015	68,044	33,386	28,671	130,101
Additions	4,144	900	-	5,044
Disposals	-	-	-	-
At 31 December 2015	72,188	34,286	28,671	135,145
DEPRECIATION				
At 1 January 2015	56,491	22,051	23,042	101,584
Disposals	-	-	-	-
Charge for the year	7,886	5,470	2,429	15,785
At 31 December 2015	64,377	27,521	25,471	117,369
NET BOOK VALUE				
At 31 December 2015	7,811	6,765	3,200	17,776
<i>At 31 December 2014</i>	<i>11,553</i>	<i>11,335</i>	<i>5,629</i>	<i>28,517</i>

14. DEBTORS

	2015 £	2014 £
Trade debtors	271,875	174,990
Unamortised balance of finance costs	-	1,004,033
Preliminary development costs	463,821	318,907
Development grants due	-	890,000
Partial ownership sale receipts due	-	559,000
Prepayments	538,742	340,005
	1,274,438	3,286,935

**15. CREDITORS - AMOUNTS FALLING DUE
 WITHIN ONE YEAR**

	2015	2014
	£	£
Government/bank loans (note 17)	1,715,233	2,333,049
Development and property costs payable	1,169,084	1,058,879
Retentions payable - development costs	1,144,241	1,098,878
Swap interest creditor	-	228,555
Rental creditor	189,420	105,116
Grants received in advance	-	2,600,000
Other creditors and unearned income	623,179	168,514
	4,841,157	7,592,991

The company's policy for paying suppliers is to make all payments in accordance with the supplier's quoted terms of trade.

**16. CREDITORS - AMOUNTS FALLING DUE
 AFTER MORE THAN ONE YEAR**

	2015	2014
	£	£
Deferred income	78,280,762	72,742,728
	78,280,762	72,742,728

Where grant is received from the States of Guernsey as a contribution towards the capital cost of housing schemes, it is recognised using the accruals method in accordance with the SORP and prior to meeting the recognition conditions, such grants are held as deferred income on the Statement of Financial Position. Deferred income is amortised over 75 years on a systematic basis over the expected useful life of the asset. During 2015 grant income of £1,035,058 (2014: £780,220) was transferred from deferred income to the Statement of Income and Retained Earnings.

17. BANK AND GOVERNMENT LOANS	2015 £	2014 £
<i>Repayable by instalments</i>		
The Royal Bank of Scotland International Ltd	-	50,425,268
HSBC Bank plc	-	16,120,469
States of Guernsey	75,000,000	-
	75,000,000	66,545,737
<i>Estimated capital balances due for repayment</i>		
Due within one year (note 15)	1,715,233	2,333,049
Due after more than one year		
- Due between one and two years	1,779,727	2,828,655
- Due between two and five years	5,750,851	9,781,341
- Due after more than five years	65,754,189	51,602,692
	73,284,767	64,212,688
At 31 December 2015	75,000,000	66,545,737

During 2015 new loan arrangements were put in place with the States of Guernsey. The arrangements enabled the company to close out loan facilities with The Royal Bank of Scotland Limited and HSBC Bank plc.

The loan arrangements with the States of Guernsey comprise two loans, one of £51,000,000 over a thirty year term with a fixed interest rate of 3.742%. The second arrangement is a £24,000,000 loan over a twenty one year term with a fixed interest rate of 3.667%. Both loans are unsecured.

18. PARTIAL OWNERSHIP PROVISION

The company retains capital grant on partial ownership stair casings as a provision for future partial ownership buy backs. The company policy on partial ownership is for the purchaser to buy a proportion of the rights in the freehold of the property (of between 40% and 80%). Typically the initial purchase is 50% with staircasings at 10% until the full 80% has been purchased, the company would then buy back the 80% at the current market value should the purchaser wish to sell.

19. FINANCIAL INSTRUMENTS - RISK EXPOSURE AND MANAGEMENT

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. The company does not undertake any significant transactions in currencies other than sterling and therefore no exchange rate exposure exists.

Principal financial instruments

The principal financial instruments used by the company from which financial instrument risk arises, are as follows:

- Trade debtors
- Cash at bank
- Trade and other creditors
- Loans

General objectives, policies and processes

The board of directors has overall responsibility for the determination of the company's risk management objectives and policies. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's ability to operate. Further details regarding these policies are set out below.

19. FINANCIAL INSTRUMENTS - RISK EXPOSURE AND MANAGEMENT (continued)

Credit risk

Credit risk arises when a failure by a counter party to discharge their obligations to the company could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The company's credit risk principally arises from cash at bank as well as credit exposures with respect to tenants included within trade debtors. In the event of default by a tenant, the company will suffer a rental shortfall and incur additional costs, including legal and other expenses in maintaining, insuring and re-letting the property, until it is re-let. General economic conditions may affect the financial stability of tenants and prospective tenants.

The company carries out checks on prospective tenants and monitors the payment record of current tenants in order to anticipate, and minimise the impact of, default by tenants. Risk of full default by individual tenants is somewhat reduced as a high proportion of tenants pay reduced rents with the balance of the full rental amounts being met on their behalf by the States of Guernsey Housing Department - the company considers this latter element of the debts to be at negligible risk of default.

The company holds cash balances with RBS International and HSBC Bank plc; both banks were assessed prior to entering into any arrangements. The credit rating of the banks are reviewed periodically.

The company receives its loan financing from the States of Guernsey to which Standard & Poors has assigned an AA+ credit rating. The Directors monitor the credit rating but at the current level consider the credit risk to be low.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities do not match. The company has procedures to minimise such risks, such as maintaining sufficient cash and by having available an adequate amount of committed credit facilities. Cash at bank is placed with financial institutions on a short term basis reflecting the company's desire to maintain a high level of liquidity in order to enable timely completion of development transactions.

The contractual maturity of the company's bank and government borrowings are stated in note 17. The company believes its monthly rental stream is sufficient to satisfy the repayment terms of its loan facilities. The company at present has no development finance in place and is currently reviewing its finance arrangements for future developments with the banks and the States of Guernsey. The company's other main contractual obligations stem from amounts due to contractors for development work and retention payments. The directors believe that the company has sufficient cash reserves to satisfy the payment terms of the amounts due to contractors and other suppliers (as stated in note 15) for work and services performed to date and for future contracted work.

Interest rate risk

The company's interest rate risk arises only on cash at bank. The weighted average interest rate receivable on cash at bank at the balance sheet date was 0.25% (2014: 0.33%) and the weighted average interest rate payable on its loans at the balance sheet date was 3.72% (2014: 1.71%).

Interest rate risk on borrowings is mitigated by loans with a fixed interest rate for up to a 30 year term.

20. LEASING COMMITMENTS

	2015 £	2014 £
The company's future minimum operating lease payments are as follows:		
Within one year	99,950	37,193
Between one and five years	425,527	14,427
After five years	1,288,993	-

21. CASH FLOWS FROM OPERATING ACTIVITIES

	2015 £	2014 £
Operating surplus for the year	4,909,967	4,328,857
Adjustments for non-cash items:		
Loss on disposal of components	45,265	64,544
Depreciation of tangible fixed assets	2,385,807	1,560,567
Decrease/(increase) in trade and other debtors	708,411	(275,792)
Decrease in trade and other creditors	(496,091)	(723,886)
Net cash inflow from operating activities	7,553,359	4,954,290

22. MATERIAL NON-CASH TRANSACTIONS

During the year the States Housing Department transferred land with a value of £975,000 to the company for no cost. This transfer has been treated as a capital grant and is a non cash transaction.

23. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2015 £	Cashflow £	31 December 2015 £
Cash in hand and at bank	2,337,101	1,545,584	3,882,685
Loans (note 17)	(66,545,737)	(8,454,263)	(75,000,000)
Total	(64,208,636)	(6,908,679)	(71,117,315)

24. PENSION COSTS

Employees of the company are eligible to take out a personal pension plan operated by Aviva which is partially funded by the company. These are defined contribution pension arrangements whereby the company's funding is based on a fixed percentage of salary and the assets of the pension plans are held separately from those of the company in independently administered funds. The amounts paid by the company in pension contributions during the year totalled £40,009 (2014: £32,694).

25. LIMITATION OF GUARANTEE

The company is a company limited by guarantee. The registered members have guaranteed to provide the total sum of £50 (2014: £60) in the event of the company's insolvency.

26. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the directors, there is no ultimate controlling party of the company as defined by FRS102 as no party has the ability to direct financial and operating policies of the company with a view to gaining economic benefits from their direction. The company retains a register of directors' interests. During the year there were no interests in related parties that require to be declared by the directors.

Directors received no emoluments for their services to Guernsey Housing Association LBG.

27. CONTINGENT LIABILITY

The company has a contractual obligation under the terms of leasehold agreements to repurchase the sold percentage of partial ownership properties in the event of a surrender or default by the leaseholder of the terms of the lease or on the death of a leaseholder. The repurchase value is determined by current market values and has been estimated, at 31 December 2015, to be £25,069,250 (2014: £20,447,750).

28. FINANCIAL COMMITMENTS

The company has capital commitments on properties under development, phase 2 of La Nouvelle Maritaine and phase 2 of Le Grand Courtil and is budgeted to spend £2,426,000 during 2016 on these developments.

29. POST BALANCE SHEET EVENTS

The company entered into a third loan with the States of Guernsey to fund phase 2 of La Nouvelle Maritaine and Le Grand Courtil developments. The loan was for £5,100,000 at a fixed rate of 3.625% for a 30 year term.

The company signed an option agreement to purchase a development site known as Guelles Road for £2,050,000, subject to receiving planning permission. Planning permission was received during May and the company expects to complete on the purchase in September.

30. TRANSITION TO FRS102

The company transitioned to FRS102 from previously extant UK GAAP with effect from 1 January 2014. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2015; the comparative information presented in these financial statements for the year ended 31 December 2014; and in preparation of the opening FRS102 FRS102 Statement of Financial Position at 1 January 2014 (the company's transition date).

The impact from the transition to FRS102 is as follows:

Reconciliation of equity

	At 1 January 2014	At 31 December 2014
	£	£
Equity reported under previous UK GAAP	2,666,465	5,092,258
Depreciation of properties	(2,582,718)	(3,107,713)
Amortisation of grants	3,270,208	4,050,428
Revaluation reserve	(3,287,840)	(5,462,264)
	<hr/>	<hr/>
Equity reported under FRS102	66,115	572,709
	<hr/>	<hr/>

Reconciliation of surplus for 2014

Surplus for the year under previous UK GAAP	£ 2,172,113
Depreciation	(524,995)
Amortisation of grant	780,220
SWAP revaluation	(1,920,744)
	<hr/>
	506,594
	<hr/>

1) Recognition of grant income

Previously, capital grants were netted off against the cost of housing properties. In line with the Housing SORP and FRS102, grants received by the association are now recognised as income in accordance with the accruals model. Grant received in advance of the satisfaction of any recognition conditions is held within creditors as deferred income. Grant income for completed properties is amortised over 75 years and included in turnover for the year. In the statement of financial position this has resulted in an increase in the carrying value of completed and incomplete developments, grant liability and deferred income balances in creditors and revenue reserves. In the Statement of Income and Retained Earnings the changes to accounting for grants increases the annual depreciation charge and turnover.

2) Measurement of partial ownership properties

Partial ownership properties were previously recognised at market value and components were not depreciated. As the company has adopted the accruals method for grant accounting, the partial ownership properties have been restated at cost and components will be depreciated over their useful life in accordance with the SORP. This has the impact of reducing the value of completed developments for partial ownership in the Statement of Financial Position. Previously, movements on revaluation would have been taken to the revaluation reserve which is no longer required as the properties are now held at cost. The market value of the properties is shown in note 10.

3) Accounting for SWAPS

The method of accounting for the SWAPS has changed under FRS102 and the SWAPS in the previous year are now being treated as non-basic financial instruments and held at fair value through profit and loss. This has the impact of removing the hedging reserve and the SWAP revaluation being recorded in the Statement of Income and Retained Earnings. There is no impact on equity.

THE FOLLOWING PAGES DO NOT FORM A
PART OF THE AUDITED FINANCIAL STATEMENTS
OF THE COMPANY AND ARE PRESENTED FOR
INFORMATION PURPOSES ONLY

Guernsey Housing Association LBG
STATEMENT OF TANGIBLE NET WORTH
At 31 December 2015

	2015
	£
FIXED ASSETS - per statement of financial position	153,420,988
CURRENT ASSETS - per statement of financial position	5,877,764
	<hr/>
GROSS ASSETS PER STATEMENT OF FINANCIAL POSITION	159,298,752
ADJUSTMENTS	
Revaluation to market value	58,806,927
	<hr/>
ADJUSTED GROSS ASSETS	218,105,679
	<hr/>
LIABILITIES	
Amounts falling due within one year - per statement of financial position	4,841,157
Amounts falling due after more than one year - per statement of financial position	151,718,429
	<hr/>
	156,559,586
ADJUSTMENTS	(78,280,762)
Grant liability	<hr/>
ADJUSTED GROSS LIABILITIES	78,278,824
	<hr/>
CONSOLIDATED TANGIBLE NET WORTH	139,826,855
	<hr/>
STATES OF GUERNSEY LOANS (note 17)	75,000,000
	<hr/>
Government debt as a percentage of Consolidated Tangible Net Worth	53.64%

This statement is presented to disclose the "Tangible Net Worth" of the company at the balance sheet date, as defined in the company's Agreement with the States of Guernsey dated 6 April 2005

APPROVED BY THE BOARD OF DIRECTORS

Quentin Spicer

Date 17 June 2016