

Guernsey Housing Association LBG

Financial Statements
For the year ended
31 December 2017

Guernsey Housing Association LBG
CONTENTS

	<u>Page</u>
Company Information	1
Report of the Directors	2
Statement of Directors' Responsibilities	3
Independent Auditor's Report	4-5
Statement of Income and Retained Earnings	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 21
Statement of Tangible Net Worth	22 -23

Guernsey Housing Association LBG
COMPANY INFORMATION

Directors

Mr Q Spicer (appointed 21 March 2002 & resigned 8 June 2017)
Miss J Bray (appointed 11 September 2006 & resigned 12 December 2017)
Mr C Hill (appointed 26 June 2013)
Mr R Francis (appointed 26 June 2013)
Mr I Bloese (appointed 26 June 2013)
Mrs R Copeland (appointed 23 June 2016)
Mr D Etasse (appointed 23 June 2016)
Mr D Brown (appointed 23 June 2016)
Mrs J Newark (appointed 7 December 2016)

Company Secretary

Mrs C Jennings (appointed 29 February 2008 & resigned 7 September 2017)
Mrs A Lodge (appointed 7 September 2017)

Registered Office

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

Independent Auditor

KPMG Channel Islands Limited
Glategny Court, St Peter Port
Guernsey
GY1 1WR

Bankers

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

Guernsey Housing Association LBG
REPORT OF THE DIRECTORS

The directors present herewith the audited financial statements for the year ended 31 December 2017.

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 accommodation 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 6. 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 (resigned 8 June 2017)
Miss J Bray (resigned 12 December 2017)
Mr C Hill (Chairman of the Board)
Mr R Francis (Chairman of the Audit Committee)
Mr I Bloese
Mrs R Copeland
Mr D Etasse
Mr D Brown
Mrs J Newark

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.
- Each director has taken all the steps he ought to have taken as a director to make himself/herself 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.

Independent Auditor

KPMG were the Auditors during the year. A resolution to re-appoint KPMG as auditor will be proposed at the Annual General Meeting.

By Order of the Board

Mr R Francis
14 June 2018

Guernsey Housing Association LBG
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.
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

Internal Controls Assurance

The board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to minimise, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for operations and the audit committee.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risk, robust strategic and business planning processes.
- annual review of the company's risk map by the Board.
- detailed financial budgets and forecasts for the current year.
- formal recruitment, retention, training and development policies for all staff.
- established authorisation and appraisal procedures for all significant new initiatives and commitments.
- regular reporting from senior management to the Board on appropriate business objectives, targets and outcomes.
- Board approved fraud policy, covering the prevention, detection and reporting of fraud and the recovery of assets:
and
- detailed policies and procedures in each area of the company's work which is reviewed periodically.

Guernsey Housing Association LBG
STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended 31 December 2017

	Notes	2017 £	2016 £
TURNOVER	3	11,420,251	10,219,946
Cost of Sales - disposal of first tranche sales		(1,779,101)	(1,026,593)
Gain on the disposal of fixed assets	5	243,309	184,361
Operating expenditure	4	(5,649,019)	(5,025,495)
OPERATING SURPLUS		4,235,440	4,352,219
Other income		28,896	23,795
Finance income		326	7,976
Finance charges	6	(2,902,830)	(2,823,926)
SURPLUS FOR THE YEAR		1,361,832	1,560,064
Retained surplus at 1 January		4,299,230	2,739,166
Retained surplus at 31 December		5,661,062	4,299,230

All amounts relate to continuing operations.

Guernsey Housing Association LBG
STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Incomplete development expenditure	9	4,775,772	968,251
Completed developments held for letting	10	133,414,128	129,037,850
Completed developments partial ownership	11	24,644,361	22,800,153
Land	8	7,612,768	6,686,923
Housing properties		170,447,029	159,493,177
Other tangible assets	13	89,969	93,824
Investment in subsidiary undertaking	12	-	-
		170,536,998	159,587,001
CURRENT ASSETS			
Trade and other debtors	14	1,827,864	2,457,900
Incomplete development expenditure	9	1,843,818	346,737
Cash and cash equivalents	23	791,817	1,386,953
		4,463,499	4,191,590
CREDITORS: Amounts falling due within one year			
Creditors	15	13,644,057	4,464,157
		13,644,057	4,464,157
NET CURRENT ASSETS/(LIABILITIES)			
		(9,180,558)	(272,567)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		161,356,440	159,314,434
CREDITORS: Amounts falling due after more than one year			
States of Guernsey Loans	17	74,485,862	76,434,753
Deferred income	16	81,030,656	78,427,551
Partial ownership provision	18	178,860	152,900
		155,695,378	155,015,204
		5,661,062	4,299,230
RESERVES			
Reserves		5,661,062	4,299,230

These financial statements were approved by the Board and authorised for issue on 14 June 2018 and were signed on its behalf by:

Mr Richard Francis
14 June 2018

Guernsey Housing Association LBG
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	21	5,970,482	5,192,800
Cash flow from investing activities			
Construction of properties		(17,620,451)	(12,416,232)
Grants received		3,794,424	2,005,200
Sale of properties		3,783,113	2,342,937
Purchase of fixed assets		(41,851)	(117,589)
		(4,114,283)	(2,992,884)
Cash flow from financing activities			
Interest received		326	7,976
Interest paid		(2,902,830)	(2,823,926)
Loan advances received		8,300,000	5,100,000
Loans repaid		(1,878,348)	(1,786,899)
		3,519,148	497,151
Net change in cash and cash equivalents		(595,135)	(2,495,733)
Cash and cash equivalents 1 January		1,386,953	3,882,686
Cash and cash equivalents 31 December		791,817	1,386,953
Cash and cash equivalents 31 December		791,817	1,386,953

The notes on pages 9 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. Guernsey Housing Association LBG is a public benefit entity.

The registered office is First Floor, Newlands House, Lowlands Trading Estate, Braye Road, Vale, Guernsey, GY3 5XJ. The registered company number is 39305.

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.

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.

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

GOING CONCERN

These financial statements are prepared on a going concern basis. After making reasonable enquiries and assessing all data relating to the company's liquidity, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the company.

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 Dunnell Robertson Partnership Limited shown in 31 December 2015 are all above cost. The next review is due at the end of 2018. Any market movements since the valuations were performed have also been considered.

FIXED ASSETS

Housing properties

The association has determined that all properties are for social benefit. Due to rents being charged below market rent, properties are held at cost rather than fair value.

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. £168,874 (2016: £128,074) of such expenditure has been allocated to the costs of housing developments in the year.

2. ACCOUNTING POLICIES (continued)

FIXED ASSETS (continued)

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".

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.

Where housing properties are carried at cost any 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 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 the remaining proportion of the freehold still owned by the company.

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	Doors and windows	25
Roofs	75	Bathrooms	25
Electrics	50	Heating systems	20
Lifts	25	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 £82,193,746 (2016: £79,529,368) as a capital cost towards the cost of housing schemes are recognised in turnover on a systematic basis over the useful life of the asset excluding land (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.

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 turnover 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, other income and first tranche sales proceeds 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 and the proceeds from first tranche disposals is recognised on date of conveyance.

COST OF SALES

The cost of sales of first tranche disposals of partial ownership properties is recognised on the date of disposal and is shown in the Statement of Income and Retained Earnings.

DISPOSAL OF FIXED ASSETS

Any gain or loss as a result of the disposal of fixed assets is recognised on the date of disposal and is shown in the Statement of Income and Retained Earnings.

FINANCE CHARGE

The finance charge is comprised of interest charges incurred in relation to the provision of the company's long term financing arrangements. Interest charged on the funding of incomplete developments is being capitalised within the cost of each development and recognised in the Statement of Financial Position. Other Interest incurred is expensed in the Statement of Income and Retained Earnings.

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.

Concessionary Loans

Government loans are classed as concessionary loans under FRS102,34.87. They are measured at the amount received, less Capital amounts repaid, plus any interest accrued.

Revolving Credit facility

The company entered into a £15,000,000 revolving credit facility agreement with the Royal Bank of Scotland International Limited on 12 April 2017 to fund development expenditure. The facility was guaranteed by the States of Guernsey. This is accounted for using the accruals method and any interest paid and accrued is transferred to the current incomplete developments, proportionally on the amounts spent during the period. Set up costs and the States of Guernsey guarantee costs are expensed annually.

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.

2. ACCOUNTING POLICIES (continued)

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.

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. Details of expected payments on operating leases are detailed in note 20.

3. TURNOVER

The turnover for the year derives wholly from continuing activities. A summary of income is detailed below.

	2017	2016
	£	£
TURNOVER		
Rental income	7,456,128	6,982,192
Grant income	1,104,085	1,076,594
Partial ownership first tranche disposals	2,376,788	1,746,000
Service charges receivable	481,723	414,910
Terre a l'amende	1,527	250
	<u>11,420,251</u>	<u>10,219,946</u>
COST OF SALES	<u>(1,779,101)</u>	<u>(1,026,593)</u>

4. OPERATING EXPENDITURE

Operating costs for the year derive wholly from continuing activities. A summary of expenditure is detailed below.

	2017	2016
	£	£
Property Expenses		
Maintenance and repairs	777,868	670,544
Void costs	156,702	120,689
Insurance	136,985	135,986
Cleaning and gardening	175,451	172,345
Electric and gas	261,963	230,640
Other property expenses	268,015	132,651
Administrative Expenses		
Salaries	773,062	647,157
Rent and rates	105,491	103,710
Other administrative expenses	357,119	288,656
General Expenses		
Wages and salaries	158,474	154,110
Other general expenses	7,299	6,554
Costs Capitalised to Developments	(168,874)	(128,074)
Depreciation Housing Developments	2,639,464	2,490,527
	<u>5,649,019</u>	<u>5,025,495</u>
Operating expenditure	5,649,019	5,025,495

Guernsey Housing Association LBG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

5. GAIN ON DISPOSAL OF FIXED ASSETS

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

	2017	2016
	£	£
Fixed Assets		
Proceeds from the disposal of properties	2,069,820	1,500,703
Net book value of properties disposed	(1,826,511)	(1,316,342)
	<hr/>	<hr/>
Surplus on the sale of fixed assets	243,309	184,361
	<hr/>	<hr/>

	Note	2017	2016
		£	£
6. INTEREST PAYABLE AND SIMILAR CHARGES			
Finance costs		-	-
Concessionary loan interest paid		2,881,285	2,823,926
Revolving Credit facility	29	21,545	-
		<hr/>	<hr/>
		2,902,830	2,823,926
		<hr/>	<hr/>

The amortisation of finance costs is attributable to the arrangement fees with the revolving credit facility with the Royal Bank of Scotland International Limited and the fees charged by the States of Guernsey in providing a guarantee to the Royal Bank of Scotland International Limited on the facility. In accordance with the company's accounting policies, certain borrowing costs have been capitalised during the year.

Guernsey Housing Association LBG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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. INCOMPLETE DEVELOPMENT LAND

	2017	2016
	£	£
COST/VALUATION		
At 1 January 2017	6,686,923	3,122,897
Additions in the year	2,705,765	4,636,714
Transfer (note 10)	(1,255,227)	(912,696)
Transfer (note 11)	(524,693)	(159,992)
	<hr/>	<hr/>
At 31 December 2017	7,612,768	6,686,923

9. INCOMPLETE DEVELOPMENT EXPENDITURE

	2017	2016
	£	£
COST/VALUATION		
At 1 January 2017	1,314,988	7,662,234
Additions in the year	13,859,601	3,980,561
Transfer (note 10)	(5,169,157)	(8,866,826)
Transfer (note 11)	(3,385,842)	(1,460,981)
	<hr/>	<hr/>
At 31 December 2017	6,619,590	1,314,988

The company has incurred finance costs on loans and the revolving credit facility to finance developments. Where these costs relate to incomplete developments they have been capitalised and added to the cost of developments. During the year £42,196 (2016 £94,071) 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 109 properties under development, of which, 61 are partial ownership properties and 48 rented. 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 £1,843,818 (2016: £346,737) being reflected as a current asset.

Split between current and fixed assets	2017	2016
	£	£
Fixed assets	4,775,772	968,251
Current assets	1,843,818	346,737
	<hr/>	<hr/>
	6,619,590	1,314,988

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 FRS102 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 2017	96,693	82,515	36,985	216,193
Additions	23,220	1,915	16,716	41,851
Disposals	-	-	-	-
At 31 December 2017	119,913	84,430	53,701	258,044
DEPRECIATION				
At 1 January 2017	75,419	37,793	9,157	122,369
Disposals	-	-	-	-
Charge for the year	13,205	22,958	9,543	45,706
At 31 December 2017	88,624	60,751	18,700	168,075
NET BOOK VALUE				
At 31 December 2017	31,289	23,679	35,001	89,969
At 31 December 2016	21,274	44,722	27,828	93,824

14. TRADE AND OTHER DEBTORS

	2017 £	2016 £
Trade debtors	561,225	647,138
Preliminary development costs	714,357	1,293,625
Prepayments	552,282	517,137
	1,827,864	2,457,900

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Concessionary loans (note 17)	1,948,891	1,878,348
Development and property costs payable	851,313	601,988
Retentions payable - development costs	712,925	353,664
Tenant rental prepayments	267,180	239,019
Other creditors and unearned income	400,658	289,321
Deferred income current	1,163,090	1,101,817
Revolving Credit Facility (note 29)	8,300,000	
	<u>13,644,057</u>	<u>4,464,157</u>

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

16. DEFERRED INCOME - AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Deferred income falling due more than one year	81,030,656	78,427,551
	<u>81,030,656</u>	<u>78,427,551</u>

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 2017 grant income of £1,104,085 (2016: £1,076,594) was transferred from deferred income to the Statement of Income and Retained Earnings.

Guernsey Housing Association LBG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

17. CONCESSIONARY LOANS	2017	2016
	£	£
<i>Repayable by instalments</i>		
States of Guernsey	76,434,753	78,313,101
	<u>76,434,753</u>	<u>78,313,101</u>
<i>Estimated capital balances due for repayment</i>		
Due within one year (note 15)	1,948,891	1,878,348
Due after more than one year		
- Due between one and two years	2,022,083	1,948,891
- Due between two and five years	6,533,413	6,296,925
- Due after more than five years	65,930,366	68,188,937
	<u>74,485,862</u>	<u>76,434,753</u>
At 31 December	<u>76,434,753</u>	<u>78,313,101</u>

The loan arrangements with the States of Guernsey comprise of three loans, one of £51,000,000 over a thirty year term with a fixed interest rate of 3.742% repayable by 31 December 2045. The second arrangement is a £24,000,000 loan over a twenty one year term with a fixed interest rate of 3.667% repayable by 31 December 2036. The third arrangement for £5,100,000 was made on 2 March 2016 and is for a 30 year term with a fixed term interest rate of 3.625% repayable by 31 March 2046. All loans are unsecured.

These loans are classed as concessionary loans under FRS 102, 34.87. They are measured at amount received, less amounts repaid.

During 2017 interest of £2,881,285 (2016: £2,823,926) has been paid on the loans and capital repayments amount to £1,878,348 (2016: £1,786,899.)

18. PARTIAL OWNERSHIP PROVISION

The company retains capital grant on partial ownership staircasings 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

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

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.

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 held cash balances with RBS International and HSBC Bank plc; both banks were assessed prior to entering into any arrangements. The account with HSBC Bank plc was closed during 2016. 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 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 and interest charges on the Revolving Credit facility. The weighted average interest rate receivable on cash at bank at the balance sheet date was 0.008% (2016: 0.13%), the weighted average interest rate payable on its loans at the balance sheet date was 3.71% (2016: 3.71%) and the weighted average on the revolving credit facility is 0.28%

Interest rate risk on borrowings is mitigated by loans with a fixed interest rate for up to a 30 year term. The revolving credit facility is used to fund short term requirements between additional loans being drawn down.

20. LEASING COMMITMENTS

	2017	2016
	£	£
The company's future minimum operating lease payments are as follows:		
Within one year	138,159	110,215
Between one and five years	545,859	453,455
After five years	1,188,122	1,178,675

21. CASH FLOWS FROM OPERATING ACTIVITIES

	2017	2016
	£	£
Surplus for the year	1,361,832	1,560,064
Adjustments for non-cash items:		
Loss on disposal of components	-	2,937
Depreciation of tangible fixed assets	2,685,170	2,529,133
Decrease/(increase) in trade and other debtors	50,768	(353,658)
Decrease in trade and other creditors	(1,029,792)	(1,361,626)
Adjustments for investing or financing activities		
Interest paid	2,902,830	2,823,926
Interest received	(326)	(7,976)
Net cash inflow from operating activities	5,970,482	5,192,800

22. MATERIAL NON-CASH TRANSACTIONS

During the year the States Housing Department transferred land at Epworth with a grant value of £600,000 and land at Les Islets with a grant value of £375,000 (2016: £0) to the company. This transfer has been treated as a capital grant and was a non cash transaction.

23. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2017	Cashflow	31 December 2017
	£	£	£
Cash in hand and at bank	1,386,953	(595,136)	791,817
Loans (note 17)	(78,313,101)	1,878,348	(76,434,753)
Total	(76,926,148)	1,283,212	(75,642,936)

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 £59,755 (2016: £48,892).

25. LIMITATION OF GUARANTEE

The company is a company limited by guarantee. The registered members have guaranteed to provide the total sum of £70 (2016: £90) in the event of the company's insolvency.

The shares do not have a right to any dividends or distribution. Shares are not transferable and a member shall cease to be a member, upon retirement from the Board. Each shareholder has full voting rights.

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 2017, to be £29,162,900 (2016: £26,672,150).

28. FINANCIAL COMMITMENTS

The company has capital commitments on properties under development, Warrys, Beauville, Le Vieux Jardin, Courtil Reveaux and Longue Rocque and is budgeted to spend £13,143,275 during 2018 on these developments. The States of Guernsey has provided the company with a 28 year long term loan of £10,000,000 to fund commitments at Warry's and Longue Rocque along with recently completed developments at Epworth, Clos Le Noury and Clos Barbier PH2 and further assured the company that it will make long term loan finance of £22,000,000 available in 2018 to 2020 for the acquisition and development of new properties.

29. REVOLVING CREDIT FACILITY

The Revolving credit facility with The Royal Bank of Scotland International Limited has a maximum facility of £15,000,000 and incurs interest charges of 0.45% above LIBOR and non utilisation fees of 0.20%. £8,300,000 was utilised during 2017 incurring interest and non utilisation fees totalling £ 42,196, which was allocated to incomplete developments. Set up fees of £10,295 and credit guarantee fees of £11,250 were expensed during the year. The credit guarantee fee is charge by the States of Guernsey at 0.10% per annum on the maximum facility amount. The facility will expire on the 31 March 2022.

30. SECURITY IN PLACE

A £15,000,000 bond in favour of The Royal Bank of Scotland International Limited was not vacated on the termination of the loan facilities during 2015. The bond was registered in favour of Rue des Marais, Roseville, Le Chaumiere, Delancy Court, 5 Hauteville and Butterfield House. This was held in place for any potential future borrowing with The Royal Bank of Scotland International.

The States of Guernsey provide security for £15,000,000 against the revolving credit facility with The Royal Bank of Scotland International (note 29).

31. POST BALANCE SHEET EVENTS

A further loan of £10,000,000 was received from the States of Guernsey on 29 March 2018. The loan is over a 28 year term with a fixed interest rate of 3.625%.

THE FOLLOWING PAGE DOES 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 2017

	2017	2016
	£	£
FIXED ASSETS - per statement of financial position	170,536,998	159,587,001
CURRENT ASSETS - per statement of financial position	4,463,499	4,191,590
GROSS ASSETS PER STATEMENT OF FINANCIAL POSITION	175,000,497	163,778,591
ADJUSTMENTS		
Revaluation to market value	80,130,611	72,944,347
ADJUSTED GROSS ASSETS	255,131,108	236,722,938
LIABILITIES		
Amounts falling due within one year - per statement of financial position	13,644,057	4,464,157
Amounts falling due after more than one year - per statement of financial position	155,695,378	155,015,204
	169,339,435	159,479,362
ADJUSTMENTS		
Grant liability	(81,030,656)	(78,427,551)
ADJUSTED GROSS LIABILITIES	88,308,779	81,051,810
CONSOLIDATED TANGIBLE NET WORTH	166,822,329	155,671,128
STATES OF GUERNSEY LOANS (note 17)	76,434,753	78,313,101
Government debt as a percentage of Consolidated Tangible Net Worth	45.82%	50.31%

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

Mr R Francis

14 June 2018