

Guernsey Housing Association LBG

Financial Statements
For the year ended
31 December 2018

Registered Number: 39305

Guernsey Housing Association LBG
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Guernsey Housing Association LBG
COMPANY INFORMATION

Directors

Mr C Hill
Mr R Francis
Mr I Bloese
Mrs R Copeland
Mr D Etasse
Mr D Brown
Mrs J Newark

Company Secretary

Mrs A Lodge

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 2018.

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 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 they ought to have taken as a director to make themselves 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 was the Auditor 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
20 June 2019

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 are reviewed periodically.

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

Our opinion is unmodified

We have audited the financial statements of Guernsey Housing Association LBG (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statement of income and retained earnings and the statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2018, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- are prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (the "SORP"), and;
- comply with the Companies (Guernsey) Law, 2008

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including Financial Reporting Council ("FRC") Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Directors' report and Statement of Tangible Net Worth

The directors are responsible for the other information presented in the Directors' report and Statement of Tangible Net Worth together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We have nothing to report on other 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:

- the Company has not kept proper accounting records; or
- the Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF GUERNSEY HOUSING ASSOCIATION LBG

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

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.

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

Date: *June 21st, 2019*

Guernsey Housing Association LBG
STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended 31 December 2018


	Notes	2018 £'000	2017 £'000
TURNOVER	3	15,246	11,420
Cost of Sales - disposal of first tranche sales	3	(4,790)	(1,779)
Gain on the disposal of fixed assets	5	180	243
Operating expenditure	4	(5,945)	(5,649)
OPERATING SURPLUS		4,691	4,235
Other income		20	29
Finance income		3	1
Finance charges	6	(3,113)	(2,903)
SURPLUS FOR THE YEAR		1,601	1,362
Retained surplus at 1 January		5,661	4,299
Retained surplus at 31 December		7,262	5,661

All amounts relate to continuing operations.

Guernsey Housing Association LBG
STATEMENT OF FINANCIAL POSITION
 At 31 December 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Incomplete development expenditure	9	7,723	4,776
Completed developments held for letting	10	135,259	133,414
Completed developments partial ownership	10	29,134	24,644
Incomplete Development Land	8	4,672	7,613
		176,788	170,447
Housing properties			
Other tangible assets	13	65	90
Investment in subsidiary undertaking	12	-	-
		176,853	170,537
CURRENT ASSETS			
Trade and other debtors	14	1,782	1,828
Inventories	11	49	-
Incomplete development expenditure	9	1,360	1,844
Cash and cash equivalents	23	1,442	792
		4,633	4,464
CREDITORS: Amounts falling due within one year			
Creditors	15	9,202	13,644
		9,202	13,644
NET CURRENT ASSETS/(LIABILITIES)		(4,569)	(9,180)
TOTAL ASSETS LESS CURRENT LIABILITIES		172,284	161,357
CREDITORS: Amounts falling due after more than one year			
States of Guernsey Loans	17	82,091	74,486
Deferred income	16	82,752	81,031
Partial ownership provision	18	179	179
		165,022	155,696
		7,262	5,661
RESERVES			
Reserves		7,262	5,661

These financial statements were approved by the Board and authorised for issue on 20 June 2019 and were signed on its behalf by:



 Mr Richard Francis
 20 June 2019

The notes on pages 9 to 21 form an integral part of these financial statements.

Guernsey Housing Association LBG
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Net cash generated from operating activities	21	6,529	5,970
Cash flow from investing activities			
Construction of properties		(14,848)	(17,620)
Grants received		2,886	3,794
Sale of properties		6,625	3,783
Purchase of fixed assets	13	(26)	(42)
		1,166	(4,115)
Cash flow from financing activities			
Interest received		3	1
Interest paid		(3,113)	(2,903)
Loan advances received		10,000	8,300
Loans repaid		(7,406)	(1,878)
		(516)	3,520
Net change in cash and cash equivalents	23	650	(595)
Cash and cash equivalents 1 January		792	1,387
Cash and cash equivalents 31 December		1,442	792

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 2018 are all above cost. The next review is due at the end of 2021. 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. £189,249 (2017: £168,874) 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
Sprinkler System	10		

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 £83,926,136 (2017: £82,193,746) 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. Proceeds from subsequent tranche sales and the resale of partial ownership properties are treated as disposal of fixed assets.

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, subsequent tranche sales or resale of a partial ownership property 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.

	2018	2017
	£'000	£'000
TURNOVER		
Rental income	8,064	7,456
Grant income	1,154	1,104
Partial ownership first tranche disposals	5,468	2,377
Service charges	559	481
Terre a l'amende	1	2
	<u>15,246</u>	<u>11,420</u>
COST OF SALES	<u>(4,790)</u>	<u>(1,779)</u>

4. OPERATING EXPENDITURE

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

	2018	2017
	£'000	£'000
Property Expenses		
Maintenance and repairs	795	778
Void costs	150	157
Insurance	150	137
Cleaning and gardening	226	176
Electric and gas	287	262
Other property expenses	262	268
Administrative Expenses		
Salaries	874	773
Rent and rates	109	106
Other administrative expenses	318	357
General Expenses		
Wages and salaries	164	158
Other general expenses	8	7
Costs Capitalised to Developments	(189)	(169)
Depreciation Housing Developments	2,791	2,639
	<u>5,945</u>	<u>5,649</u>
Operating expenditure	5,945	5,649

5. GAIN ON DISPOSAL OF FIXED ASSETS

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

	2018	2017
	£'000	£'000
Fixed Assets		
Proceeds from the disposal of properties	2,015	2,070
Net book value of properties disposed	(1,835)	(1,827)
	<hr/>	<hr/>
Surplus on the sale of fixed assets	180	243
	<hr/>	<hr/>

	Note	2018	2017
		£'000	£'000
6. INTEREST PAYABLE AND SIMILAR CHARGES			
Finance costs		-	-
Concessionary loan interest paid		3,084	2,881
Revolving Credit facility	29	29	22
		<hr/>	<hr/>
		3,113	2,903
		<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.

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	2018	2017
	£'000	£'000
COST		
At 1 January 2018	7,613	6,687
Additions in the year	1,391	2,706
Transfer (note 10)	(1,332)	(1,255)
Transfer (note 10)	(3,000)	(525)
At 31 December 2018	4,672	7,613

9. INCOMPLETE DEVELOPMENT EXPENDITURE	2018	2017
	£'000	£'000
COST		
At 1 January 2018	6,620	1,315
Additions in the year	11,174	13,860
Transfer (note 10)	(2,807)	(5,169)
Transfer (note 10)	(5,904)	(3,386)
At 31 December 2018	9,083	6,620

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 £53,492 (2017 £42,196) 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 131 properties under development, of which, 47 are partial ownership properties and 84 rented/other. For the purpose of determining the current asset, we estimate that 50% of each partial ownership unit will be sold as first tranche sales. This results in £1,360,390 (2017: £1,843,818) being reflected as a current asset.

Split between current and fixed assets	2018	2017
	£'000	£'000
Fixed assets	7,723	4,776
Current assets	1,360	1,844
	9,083	6,620

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.

10. COMPLETE DEVELOPMENT EXPENDITURE

	Property held for letting £'000	Leasehold shared Ownership £'000	Total Housing Property £'000
COST			
At 1 January 2018	147,048	25,928	172,976
Transfers	4,139	8,904	13,043
Additions	238	2,470	2,708
Disposals	-	(6,625)	(6,625)
At 31 December 2018	151,425	30,677	182,102
DEPRECIATION			
At 1 January 2018	13,634	1,284	14,918
Charge for the year	2,532	259	2,791
At 31 December 2018	16,166	1,543	17,709
NET BOOK VALUE			
At 31 December 2018	135,259	29,134	164,393
<i>At 31 December 2017</i>	<i>133,414</i>	<i>24,644</i>	<i>158,058</i>

11. INVENTORIES

Inventories include items that are held to make repairs to our housing stock as and when required. These items are held to reduce the waiting time for tenants to have repairs made. Stocks are stated the lower of cost of purchase and net realisable value. At each reporting date, the inventories value is assessed for write down.

	2018 £'000	2017 £,000
Inventories	49	-
	49	-

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 financial statements as the company has taken advantage of the exemption provided by FRS102 9.3 (g).

13. OTHER TANGIBLE ASSETS

	<u>Computer Equipment</u> £'000	<u>Office Equipment</u> £'000	<u>Office Improvements</u> £'000	<u>Total</u> £'000
COST				
At 1 January 2018	120	84	54	258
Additions	17	9		26
Disposals	-	-	-	-
At 31 December 2018	137	93	54	284
DEPRECIATION				
At 1 January 2018	89	60	19	168
Disposals	-	-	-	-
Charge for the year	20	21	10	51
At 31 December 2018	109	81	29	219
NET BOOK VALUE				
At 31 December 2018	28	12	25	65
At 31 December 2017	31	24	35	90

14. TRADE AND OTHER DEBTORS

	2018 £'000	2017 £'000
Trade debtors	955	561
Preliminary development costs	212	714
Prepayments	615	553
	1,782	1,828

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Concessionary loans (note 17)	2,238	1,949
Development and property costs payable	717	759
Retentions payable - development costs	678	713
Property and overhead costs payable	123	92
Tenant rental prepayments	343	267
Other creditors and unearned income	929	401
Deferred income current	1,174	1,163
Revolving Credit Facility (note 29)	3,000	8,300
	<u>9,202</u>	<u>13,644</u>

Certain prior year amounts have been reclassified to conform with the current year presentation.

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

	2018	2017
	£'000	£'000
Deferred income falling due after more than one year	82,752	81,031
	<u>82,752</u>	<u>81,031</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 2018 grant income of £1,153,811 (2017: £1,104,085) 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 2018

17. CONCESSIONARY LOANS	2018	2017
	£'000	£'000
<i>Repayable by instalments</i>		
States of Guernsey	84,329	76,435
	<hr/>	<hr/>
	84,329	76,435
	<hr/>	<hr/>
<i>Estimated capital balances due for repayment</i>		
Due within one year (note 15)	2,238	1,949
Due after more than one year		
- Due between one and two years	2,322	2,022
- Due between two and five years	7,502	6,534
- Due after more than five years	72,267	65,930
	<hr/>	<hr/>
	82,091	74,486
	<hr/>	<hr/>
At 31 December	84,329	76,435
	<hr/>	<hr/>

The loan arrangements with the States of Guernsey comprise of four 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. The fourth arrangement for £10,000,000 was made on 29 March 2018 and is for a 28 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 2018 interest of £3,084,183 (2017: £2,881,285) has been paid on the loans and capital repayments amount to £2,105,950 (2017: £1,878,348.)

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 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 0.006% (2017: 0.008%), the weighted average interest rate payable on its loans at the balance sheet date was 3.66% (2017: 3.71%) and the weighted average on the revolving credit facility is 0.36% (2017:0.28%)

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

	2018	2017
	£'000	£'000
The company's future minimum operating lease payments are as follows:		
Within one year	146	138
Between one and five years	520	546
After five years	1,054	1,188

21. CASH FLOWS FROM OPERATING ACTIVITIES

	2018	2017
	£'000	£'000
Surplus for the year	1,601	1,362
Adjustments for non-cash items:		
Loss on disposal of components	-	-
Depreciation of tangible fixed assets	2,842	2,685
Decrease/(increase) in trade and other debtors	(456)	51
(increase)/Decrease in trade and other creditors	(519)	(1,030)
Decrease/(increase) in inventories	(49)	-
Adjustments for investing or financing activities		
Interest paid	3,113	2,903
Interest received	(3)	(1)
Net cash inflow from operating activities	6,529	5,970

22. MATERIAL NON-CASH TRANSACTIONS

During the year the States Housing Department transferred land at the Oaks with a grant value of £900,000 (2017: £975,000 (Epworth £600,000 & Les Islets £375,000)) 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	Cashflow	31 December
	2018		2018
	£'000	£'000	£'000
Cash in hand and at bank	792	650	1,442
Loans (note 17)	(76,435)	(7,894)	(84,329)
Total	(75,643)	(7,244)	(82,887)

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 £57,606 (2017: £59,755).

25. LIMITATION OF GUARANTEE

The company is a company limited by guarantee. The registered members have guaranteed to provide the total sum of £70 (2017: £70) 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 2018, to be £33,855,050 (2017: £29,162,900).

28. FINANCIAL COMMITMENTS

The company has capital commitments on properties under development, Beauville, Le Vieux Jardin, Courtil Reveaux, The Oaks and Pont Colliche and is budgeted to spend a further £9,882,813 on these developments. The States of Guernsey have assured the company that it will make long term loan finance of £22,000,000 available in 2019 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%. £3,000,000 was outstanding at 31 December 2018, (2017 £8,300,000). Interest and non utilisation fees totalling £ 53,492 (2017:£42,196) was incurred and was allocated to incomplete developments. Set up fees of £13,728 (2017:£10,295) and credit guarantee fees of £15,000 (2017:£11,250) were expensed during the year. The credit guarantee fee is charged 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

There are no post balance sheet events which require adjustment or disclosure.

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 2018

	2018	2017
	£'000	£'000
FIXED ASSETS - per statement of financial position	176,853	170,537
CURRENT ASSETS - per statement of financial position	4,633	4,464
GROSS ASSETS PER STATEMENT OF FINANCIAL POSITION	181,486	175,001
ADJUSTMENTS		
Revaluation to market value	78,691	80,131
ADJUSTED GROSS ASSETS	260,177	255,132
LIABILITIES		
Amounts falling due within one year - per statement of financial position	9,202	13,644
Amounts falling due after more than one year - per statement of financial position	165,022	155,696
	174,224	169,340
ADJUSTMENTS		
Grant liability	(83,926)	(82,194)
ADJUSTED GROSS LIABILITIES	90,298	87,146
CONSOLIDATED TANGIBLE NET WORTH	169,880	167,986
STATES OF GUERNSEY LOANS (note 17)	84,329	76,435
Government debt as a percentage of Consolidated Tangible Net Worth	49.64%	45.82%

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

20 June 2019