

Coastal Housing Group Limited

Report and financial statements
For the year ended 31 March 2017



Information

Co-operative and Community Benefit Society number:	30438R
Welsh Government registration number:	L146
Registered office:	220 High Street, Swansea
Board:	Francis Jones (Chair) Dawn Mitchell (Vice Chair) (Tenant) (Resigned May 2017) Alun Williams (Chair of Governance and Remuneration) Michael Burr (Chair of Finance and Development) Janet Lane (Treasurer and Chair of Audit) Carol Hill (Resigned May 2017) Sandra Jones (Tenant) (Resigned September 2016) Clive Owen Kay Howell Kirsty Ellis Amanda Protheroe Roger Williams (Appointed September 2016) William Evans (Tenant) (Appointed September 2016) Nazma Ali Rasood (Tenant) (Appointed September 2016)
Chief Executive and Secretary:	Debbie Green
Executive Directors:	Simon Jones (Director of Finance) (Appointed September 2016) Serena Jones (Director of Homes, Communities and Services) Gareth Davies (Director of Development) Caroline Belasco (Director of HR and Organisational Development)
Bankers:	Barclays Bank PLC 262 Oxford Street, Swansea
Solicitors:	Blake Morgan 1 Central Square, Cardiff Morgan La Roche Phoenix Way, Swansea Devonshires 30 Finsbury Circus, London Hugh James Hodge House, Cardiff Howells Solicitors 4 Langdon Road, SA1 Swansea Waterfront Smith Llewelyn Partnership 18 Princess Way, Swansea
Auditors:	Bevan & Buckland Langdon House, Langdon Road, SA1 Swansea Waterfront

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Chairman's statement

What a year: - Brexit, local elections, and a hung parliament with the prospect of a form of coalition in both Wales and Westminster.

The housing crisis, insufficient social housing and house prices at very high levels has every political party's attention. In Wales, there seems to be a consensus that there needs to be continued support for housing grant and allowances for modest rent increases. Housing is a devolved area, but Westminster controls the benefit system, which affects many of our tenants, whether in work or not. In particular a cap on the rent that the benefit system pays for via the Local Housing Allowance, the bedroom tax and restricted allowances for the under 35's are shaping housing policy.

I do sense that all political parties realise that the private sector has not and cannot be expected to provide the over 200,000 homes that are needed every year, and that housing associations and councils will have to fill the gap. The policies to do this need to be in place for longer than the normal political cycle. Perhaps our elected representatives need to reflect that we are all affected by the well-being of others.



Our recently completed development on the Former Leonard Charles department store site, Oxford Street, Swansea

The above problems and uncertainties make the Board of Coastal Housing determined to quantify and calculate the risks, but make sure the organisation is efficient, economic and effective, provides strong surpluses to enable us to grow, and above all enable our tenants to live in the type of home that suits them and to improve their quality of life.

We have reshaped our internal structures – housing service teams and central teams – to ensure we are best placed to deal with these challenges and we have also continued to increase the level of maintenance services provided by our in house teams. Most recently we in-sourced our painting and decorating and our gas work. We believe this will allow us to be more efficient and more responsive in these services. We are also committed to using local suppliers for other work. We have an active apprenticeship programme, as do our established contractors.

Chairman's statement

Coastal Housing Group has had another strong financial year, growing turnover, sustaining operating surplus and investing in new homes and services.

	2017	2016
	£'000	£'000
Turnover (£000's)	31,111	30,039
Operating Surplus (£000's)	9,180	8,765
Operating Surplus %	29.5%	29.4%
Gearing %	61%	59%

In the last year, we have completed 142 homes for rent and have homes being built across the Swansea, Neath Port Talbot and Bridgend areas. The Welsh Housing Partnership, of which we own 30%, has completed 40 more homes for management by Coastal, meaning 318 homes have now been completed for us through this venture.

Our development on the former Sketty Primary School site was awarded Best New Social Housing Development at the Local Authority Building Control (LABC) South Wales Building Excellence Awards and now goes to national awards.

We also have a number of homes for home ownership, via outright sale and low cost home ownership. Outright sales are marketed via our subsidiary, Pennant Housing Association, and sales and reservations have both performed strongly in the year. We also have a strong track record of accessing grant from the Welsh Government, particularly through Social Housing Grant and Vibrant and Viable Places.



Our recently completed development on the former Sketty Primary School site, Swansea

Chairman's statement

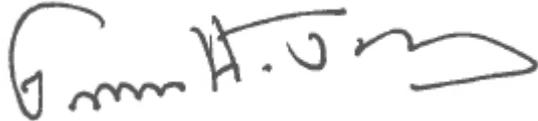
I hope that you will have seen some of the favourable articles and commentary that our developments in High Street have received. The Urban Village won the Regeneration category in the Royal Institution of Chartered Surveyors (RICS) Wales 2017 awards. The next phase called the Urban Quarter is nearing completion and the refurbished pathway between the Strand and High Street is now open making the area better looking and more accessible.

None of this would be possible without the right financing in place. During the year, we secured bank funding of £15 million and Affordable Housing Finance funding of £20 million at excellent rates. We also have access to £10 million of revolving credit funds. We have been renegotiating some of the terms of our facilities to make them more consistent with each other and to ensure we keep the capacity we want to achieve our plans.

May I on behalf of the Board thank our tenants for their help and support many who have given their helpful views and comments and kindly given us very high ratings in our surveys. None of the above would be possible without the support of Swansea, Neath Port Talbot and Bridgend Councils, and the Welsh Government.

The Board are in constant awe of the staff who cope magnificently with the many changes and challenges that are imposed by either us or our political masters, thank you.

Lastly, it has been my good fortune to chair a Board that is so talented and willing to give their time and knowledge, and make it so enjoyable.

Francis Jones, 

Chair of the Board



Photo taken at the opening of the Urban Village Phase 2 development.

Operating and financial review

Group highlights, five-year summary

	FRS 102			UK GAAP	
For the year ended 31 st March	2017	2016	2015	2014	2013
Income and Expenditure (£'000)					
Total turnover	31,111	30,039	28,362	25,242	23,618
Operating surplus	9,180	8,765	8,221	6,982	5,384
Surplus for the year	<u>3,007</u>	<u>3,510</u>	<u>2,292</u>	<u>3,529</u>	<u>2,034</u>
Statement of financial position (£'000)					
Housing properties, net of depreciation	360,694	346,138	332,191	333,244	328,601
Social housing grant and other grants	-	-	-	(199,536)	(192,176)
	<u>360,694</u>	<u>346,138</u>	<u>332,191</u>	<u>133,708</u>	<u>136,425</u>
Investments	30,326	29,544	26,543	16,360	8,872
Homebuy grants and loans	3,849	4,013	4,206	303	303
Other fixed assets	5,450	6,175	6,307	6,141	3,562
Fixed assets	<u>400,319</u>	<u>385,870</u>	<u>369,247</u>	<u>156,512</u>	<u>149,162</u>
Long term debtors	1,246	1,335	1,528	-	-
Net current assets	<u>17,029</u>	<u>7,159</u>	<u>4,071</u>	<u>8,099</u>	<u>7,093</u>
Total assets less current liabilities	<u>418,594</u>	<u>394,364</u>	<u>374,846</u>	<u>164,611</u>	<u>156,255</u>
Loans (due in more than one year)	(164,447)	(148,438)	(137,960)	(130,808)	(125,426)
Social housing grants and other grants	(207,410)	(202,390)	(196,420)	-	-
Defined pension liability	(4,156)	(4,498)	(4,867)	-	-
Housing finance grant	(1,633)	(1,633)	(1,633)	-	-
Provision for liabilities	(693)	(157)	(228)	(187)	(742)
	<u>40,255</u>	<u>37,248</u>	<u>33,738</u>	<u>33,616</u>	<u>30,087</u>
Reserves					
Restricted	14	14	14	14	14
Revenue	<u>40,241</u>	<u>37,234</u>	<u>33,724</u>	<u>33,602</u>	<u>30,073</u>
Total reserves	<u>40,255</u>	<u>37,248</u>	<u>33,738</u>	<u>33,616</u>	<u>30,087</u>
Housing properties managed at year end:					
Social housing	5,569	5,392	5,290	5,140	5,043
Operating surplus as % of turnover	29.5%	29.2%	29.0%	27.6%	22.8%
Surplus for year as % of income from lettings	35.2%	34.9%	33.8%	37.3%	31.0%
Rent losses (voids and bad debts as % of rent receivable)	3.3%	3.4%	3.0%	2.0%	3.4%
Rent arrears (gross arrears as % of rent receivable)	0.8%	1.0%	1.1%	1.7%	1.3%
Liquidity (current assets divided by current liabilities)	2.4	1.5	1.3	1.8	1.8
Gearing (total loans net of cash as % of capital grants and reserves)	61.4%	58.7%	60.5%	56.1%	56.4%

Operating and financial review

Principal activities

The Group comprises Coastal Housing Group Limited ('the Association'), and its subsidiary undertaking Pennant Housing Association Limited (together 'the Group').

The principal activities of the Group are the development and management of social rented housing, the construction of housing for sale, and associated regeneration activities.

The Association is charitable and the subsidiary is non-charitable. Both group members are not for profit Community Benefit Societies. Both are registered as social landlords with the Welsh Government and operate two key business streams:

- housing for rent and associated support services, and
- home ownership.

The Group manages over 5,600 properties and has a significant development programme in the Swansea, Neath Port Talbot, Carmarthenshire and Bridgend local authority areas. During the financial year, 164 new properties were brought into management. The Group also continues to specialise in urban housing-led regeneration projects. In addition the Group provides properties leased from the Welsh Housing Partnership joint ventures at intermediate rents to people who cannot rent a suitable home on the open market.

Business and financial review

The Board is pleased to report a surplus for the year of £3.0m (2016: £3.5m). Income increased by £1.1m, of which £1m related to increases in rents and service charges. Of this increase, £0.3m was delivered to the operating surplus.

We have continued both to invest in existing housing and to undertake a series of new developments, for both rent and sale. The Group has successfully delivered on its social housing grant commitments and at the year end received £3.6m of grant slippage monies from the Welsh Government. This demonstrates the Welsh Governments confidence in our ability to deliver on both commitments and value.

Via Pennant Housing Association, the Group is an investor in Welsh Housing Partnership and there are two joint venture companies – The Welsh Housing Partnership Limited (“WHP”) and WHP2 Limited. During the financial year, WHP refinanced its debt and converted a portion of share capital to distributable reserves. Pennant housing Association received a cash distribution from WHP of £3.3m, which offsets the reduction in the ongoing value of its interest in WHP. More information is given in note 14.

Our cash position at the year end remains very strong. Including the Welsh Housing Partnership distribution referred to above the Group had £11.3m on hand. The Group also has access to £23m of immediately available funding (£7million of which was drawn in April 2017) and a further £13m of approved funding. This allows Coastal to fund the next 18 months operational and developmental commitments with confidence.

During the year, the Group’s annual self-evaluation was reviewed by the Welsh Government and the Regulatory Opinion, published in December 2016, confirmed a financial viability “Pass” on the basis that the Group has adequate resources to meet current and future business and financial commitments. This includes both new development activity and investment in the existing portfolio in order to maintain our stock to the Welsh Housing Quality Standard.

Operating and financial review

The Group applies Lean Systems Thinking to our organisational design and therefore we continue to monitor the changing nature and variety of customer requirements (demand) and to organise our teams to meet that variety in demand. The Group continues to focus on the organisation of all its departments to ensure that our structure remains fit for purpose to deliver the right services to help our tenants to sustain their tenancies in the context of challenging welfare cuts. During the financial year the Finance department was restructured to ensure it continued to meet the evolving needs of the Group.

Objectives and strategy

Our values drive our decision making from the Board and executive directors through the organisation to the services we provide. Our values are also at the heart of our corporate vision which is summarised below:

"To provide homes and services that enable our tenants to thrive and the communities we serve to prosper; supported by growing our social business and extending the reach of our homes and services."

Our vision is supported by the 4 'pillars' of Coastal which we use to align our activities to our purpose:

- Creating sustainable tenancies
- Creating sustainable communities
- Creating sustainable local economies
- Creating a sustainable Coastal Group

Using Lean Systems Thinking, all of our activities are therefore assessed against their efficacy in delivering the following goals:

- **Growth** – to grow by increasing the supply of housing and widening our offer
- **Welfare cuts**– to support tenants and applicants through the changes in welfare benefits
- **Homes** – to improve the quality of our housing stock
- **Regeneration** – to contribute to the regeneration of the areas that we serve
- **Services** – to improve further our services to tenants
- **Services for older people** – to develop a wide range of housing and services for older people
- **Support services** – to meet the housing needs of young people and support tenancies
- **Organisation** – to create a lean, agile and innovative organisation
- **Stakeholders** – to build support from partners, funders, contractors, suppliers and the regulator
- **Financial strength** – to build financial strength and maintain close relationships with funders
- **Transparency** – to be open and honest with all our stakeholders

The executive directors are responsible for assessing whether these goals are best placed to meet our corporate vision in the future. The heads of department are responsible for prioritising the activities within the year (the annual corporate plan) which will deliver tangible gains against the goals as defined above. The executive directors and heads of department meet regularly to assess achievement of the goals when compared to the annual corporate plan.

Operating and financial review

Value for money

Our value for money strategy directly supports our corporate objectives. During the year value for money savings were used to:

- reinvest in service improvements,
- reinvest in our stock,
- reinvest in our communities,
- reduce financing costs of delivering new homes, and
- make capital repayments on loans.

Value for money methodology

The drive to pursue and achieve value for money is both explicit and implicit in the way we work at Coastal. Achieving value for money is not something that is considered separately from the day job, it is an integral part of it. In practice a number of interlinked practices support Coastal's delivery of value for money:

- clarity of, and focus on, purpose
- lean systems thinking,
- knowing and doing what matters for tenants,
- engaged empowered staff and an entrepreneurial culture,
- a collaborative governance model,
- pro-active relationships with stakeholders,
- procurement, and
- treasury management

Two examples from the financial year are as follows:

- Changes to our approach to lettings following a systems thinking review which is already reducing the average number of days properties are empty before re-let.
- Insourcing the painting and decorating function to improve flexibility for tenants whilst at the same time improving utilisation and reducing overall costs per activity. This built on the successful insourcing of the electricians function in the previous year, and in April 2017 we have also insourced the gas safety service.

Risks and uncertainties

Risks that may prevent the Group achieving its objectives are considered and reviewed annually by the senior management team and Board as part of the corporate planning process. Our most recent strategic risk review took place in May 2017 and was facilitated by Zurich Risk Management. We used the following process in reaching our conclusions:

- Understanding of the external environment
- Review of previously identified risks
- Review of newly emerging risks
- An assessment of possible consequences (severity and likelihood)
- Consideration of the likely direction of travel regarding each specific risk (increasing, static or decreasing risk)
- Identification of 'risk owners' within the management team, who are responsible for agreeing actions which mitigate the potential impact of the identified risks

Operating and financial review

Fifteen strategic risks were identified, discussed and have agreed action plans. The interplay between risks was noted and consideration given to the compound impact of risks occurring in combinations. These were factored into the 'severity' and 'likelihood' scores. Major risks, presenting the greatest threats to the Group, are reported to the Board every six months together with action taken to manage the risks.

Top 5 ongoing risks

The top five risks (measured in terms of potential likelihood and severity) are listed below:

1. **Welfare Cuts.** This comprises two linked risks. Firstly, that tenants impacted by Welfare Cuts will have reduced income and not be able to pay their rent in full. Secondly, that the support required by our tenants in understanding and managing the changes associated with Welfare Cuts will increase our cost base.
2. **Changing External Environment.** The risk of not identifying and adapting to changes in tenant demographics and the areas in which we work (for example, an ageing population, uncertainty around local employment).
3. **Technology and Data security.** Cybercrime and the wider need to manage data security is an increasing threat across all businesses. There is an increased risk of sensitive data being lost, stolen or compromised, or of losses due to fraud. Forthcoming changes to Data Protection legislation also mean that fines for non-compliance could be substantial.
4. **ONS Reclassification.** The Office for National Statistics (ONS) has reclassified housing associations as public bodies for the purposes of national accounts and ONS statistics. This increases the risk of central Government restrictions on our finances if the promised Welsh Government legislation to reclassify associations as non-public bodies is not passed or is not effective.
5. **Financial Markets.** This comprises two linked risks which potentially impact upon the view of our business within the financial markets. Firstly, the potential impact on borrowing capacity or funding costs from financial covenants, reducing grant levels and available security. Secondly, the risk of downward pressure on operating surplus caused by an increasing inflation differential in the medium to long term between costs and rents.

Capital structure and treasury policy

The Group borrowed £17million during the year to fund development, £7million of which was held in a sinking fund pending charging of security, and drawn post year end. At the year end the Group's borrowings amounted to £164.9 million (of which £1.8 million is due to be paid within the next year):

Maturity	2017	2016
	£m	£m
Within one year	1.8	4.9
Between one year and two years	2.5	2.0
Between two and five years	10.6	8.0
After more than five years	150.0	138.4
	<hr/>	<hr/>
	164.9	153.3
	<hr/>	<hr/>

The Group borrows from banks, building societies and the capital markets, at both fixed and floating rates of interest. The fixed rates of interest range from 1.98% to 11.6% as compared with variable rates which had a range of 0.7% to 2.28%.

Operating and financial review

The five year summary shows that gearing (loans less cash, as a percentage of capital grants and reserves) increased to 61.4% at 31 March 2017. We calculate gearing using loans net of cash because our funding covenants are calculated on this basis, and when we borrow from capital markets it tends to mean we hold relatively large cash balances for a period of time. We are concluding the renegotiation of our gearing covenants from 70% to 75% to allow us to develop even more. Our financial forecasts show gearing remaining well within our covenants over the next three years.

The Group's lending agreements require compliance with a number of other financial and non-financial covenants. The Group's position is monitored and reported to the Finance and Development Committee each quarter. Recent reports confirmed that the Group was in compliance with its loan covenants at the balance sheet date and the Group expects to remain compliant in the foreseeable future.

The Group has cash balances of £11.3million at 31 March 2017 (2016: £11.2million) and the current (liquidity) ratio stands at 2.4 (2016: 1.5). The Group monitors cash flow forecasts closely to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The Board has approved plans to spend £31 million during the next financial year to develop general housing for rent and for sale. We also continue to invest in our stock and in the year we spent £2.2 million maintaining our homes to WHQS, and we are adapting our services for tenants to help them to deal with the issues arising from welfare cuts.

Statement of compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the SORP 2014.

Report of the Board and Strategic Report

The Board of Coastal Housing Group Limited is pleased to present its strategic report together with the audited financial statements of Coastal Housing Group Limited (the Association) and Coastal Housing Group Limited Group (the Group) for the year ended 31 March 2017.

Principal activities, business review and future developments

Details of the Group's principal activities, its performance during the year and factors likely to affect its future development are contained within the Operating and Financial Review, which precedes this report.

Board members and executive directors

The Board members and executive directors of the Group are set out on page 1. The executive directors are the Chief Executive and other members of the Group's team of directors. They act as executives within the authority delegated by the Board. Group insurance policies indemnify Board members and officers against liability when acting for the Group.

Terms and Conditions

The executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months. The executive directors are also members of the Social Housing Pension Scheme, a defined benefit pension scheme. They participate in the scheme on the same terms as all other eligible staff, subject to the open benefit structure in place at the time they joined the Group.

Employees

We recognise that the success of our business depends on the quality and engagement of our employees. We continued to invest in our employees through a program of tailored learning and development, which includes an ILM accredited bespoke leadership programme and a University of Wales accredited Housing Management qualification, along with a number of coaching and mentoring programmes to further build skill and capability.

We have undertaken employee surveys to help us understand and further improve engagement, knowledge and working practices, and have carried out workshops and a world café focused on being the best we can all be. We have been recognised for our outstanding achievements in both health and well-being and our approach to health and safety. The Board is aware of its responsibilities on all matters relating to health and safety and the Group has clear health and safety policies, on which employees are fully trained and educated accordingly.

Financial risk management objectives and policies

The Group uses financial instruments, including loans and cash to finance the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks. The main risks arising from the Group's financial instruments are considered by the Board to be interest rate risk, liquidity risk and credit risk. The Board review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances its operations through a mixture of retained surpluses and bank borrowings. The Group's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities. The Group does not use standalone financial instruments.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invests cash assets prudently, also limiting the amount of cash held with any one institution. At any one time the Group aims to maintain sufficient undrawn facilities to fund the committed development programme for 18 months into the future.

Report of the Board and Strategic Report

Credit risk

The Group's principal credit risk relates to tenant arrears. This risk is managed primarily by an area based generic housing service and the close relationship our staff have with their tenants. We also have a dedicated income team within the finance department. We are as well advanced as we can be with understanding our tenant profile information and adapting our services to meet the challenge of welfare reform.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group has in place long-term debt which provides adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal controls assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2016 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for audit, and finance and development sub-committee
- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- robust strategic and business planning processes, with detailed financial budgets and forecasts
- appropriate recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for development and other significant commitments
- a documented approach to strategic treasury management
- regular reporting to the appropriate committee on key business objectives and outcomes
- Board approved whistle-blowing and fraud policies covering prevention, detection and reporting, together with recoverability of assets
- regular monitoring of loan covenants and requirements for new loan facilities

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the audit committee to regularly review the effectiveness of the system of internal control. The Board receives audit committee meeting minutes. The annual report of the internal auditor has been reported to the Board.

Report of the Board and Strategic Report

Community Housing Cymru – Charter for Good Governance

We are pleased to report that the Group commits to achieving the highest standards of Governance as set out in Community Housing Cymru's charter.

Governance arrangements have been reviewed. The Finance and Development sub-committee ensures that there is detailed scrutiny of financial and development related issues. The Audit and Risk committee considers internal control and assesses the effectiveness of internal and external audit. The Board also has a Remuneration Committee which considers the annual pay award (making its recommendation to the Board), and also convenes from time to time as appropriate to consider relevant issues around staffing structure, staff pay progression and remuneration.

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS102) Under the Housing Association legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period. In preparing these financial statements, the directors are required to:

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

The Board is responsible for maintaining an adequate system of internal control and keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors are aware:

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

Annual general meeting

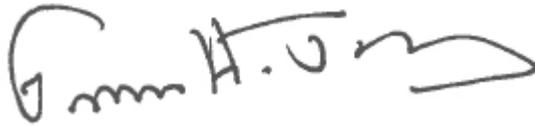
The annual general meeting will be held on 27 July 2017 at 220 High Street.

Report of the Board and Strategic Report

External auditors

A resolution to re-appoint Bevan & Buckland will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 20 July 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Francis Jones', written in a cursive style.

Francis Jones
Chairperson

Independent auditor's report to the members of Coastal Housing Group Limited on corporate governance

In addition to our audit on the financial statements for the year ended 31 March 2017, we have reviewed the Board's statement of Coastal Housing Association Limited's ("the Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements.

We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

Opinion

With respect to the Board's statement on internal financial control on pages 2 and 3, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan & Buckland

Bevan & Buckland
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

Date: *20th July 2017.*

Independent auditor's report to the members of Coastal Housing Group Limited

We have audited the financial statements of Coastal Housing Group Limited for the year ended 31 March 2017 which comprise the consolidated and Association statements of comprehensive income, the consolidated and Association statements of changes in reserves, the consolidated and Association statements of financial position, the consolidated cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Group's housing association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Our audit work has been undertaken so that we might state to the Group's housing association'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 Group's housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of Responsibilities of the Board (set out on page 11), the Board is 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 Auditing Practices Board's (APB'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 Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Board of Management, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. 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 of the state of the Group's affairs as at 31st March 2017 and of its income and expenditure for the year then ended, and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Independent auditor's report to the members of Coastal Housing Group Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

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

Bevan & Buckland

Bevan & Buckland
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

Date: *20th July 2017.*

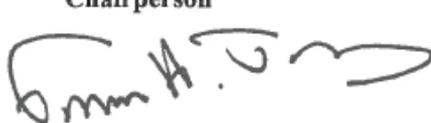
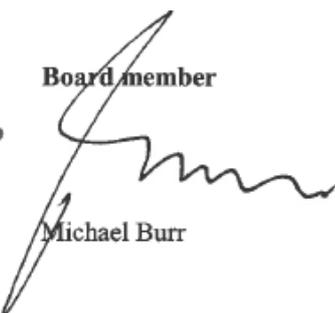
Consolidated Statement of Comprehensive Income

	Note	2017 £'000	2016 £'000
Turnover		32,212	31,076
Less: share of joint venture turnover	14	<u>(1,101)</u>	<u>(1,037)</u>
Group turnover: continuing activities	1	31,111	30,039
Operating costs	1	<u>(21,931)</u>	<u>(21,274)</u>
Group operating surplus: continuing activities	1	9,180	8,765
Share of operating profit in joint venture	14	<u>958</u>	<u>936</u>
Operating surplus		10,138	9,701
(Deficit)/Surplus on sale of fixed assets – housing properties	4	(120)	634
Interest receivable and other income			
Group	5	161	92
Joint venture	14	3	-
Interest payable and similar charges			
Group	6	(6,136)	(6,019)
Joint venture	14	<u>(872)</u>	<u>(882)</u>
Surplus on ordinary activities before taxation		3,174	3,526
Tax on surplus of ordinary activities	10	(17)	(21)
Tax on surplus of joint venture	14	(33)	(22)
Surplus for year		<u>3,124</u>	<u>3,483</u>
Re-measurement of pension liability	25	(117)	27
Total comprehensive income for year		<u><u>3,007</u></u>	<u><u>3,510</u></u>

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The financial statements were approved by the Board on 20 July 2017 and were signed on its behalf by:

<p>Chairperson</p>  <p>Francis Jones</p>	<p>Board member</p>  <p>Michael Burr</p>	<p>Secretary</p>  <p>Debbie Green</p>
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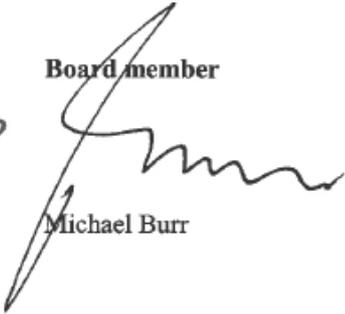
Association Statement of Comprehensive Income

	Note	2017 £'000	2016 £'000
Turnover	1a	30,801	29,765
Operating costs	1a	<u>(21,821)</u>	<u>(21,150)</u>
Operating surplus	1a	8,980	8,615
(Deficit)/Surplus on sale of fixed assets – housing properties	4	(120)	634
Interest receivable and other income	5	161	92
Interest payable and similar charges	6	<u>(6,080)</u>	<u>(5,991)</u>
Surplus on ordinary activities before taxation		2,941	3,350
Tax on surplus of ordinary activities		-	-
Surplus for year		<u>2,941</u>	<u>3,350</u>
Re-measurement of pension liability	25	(117)	27
Total comprehensive income for year		<u>2,824</u>	<u>3,377</u>

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

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Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £'000	Restricted reserves £'000	Total reserves £'000
At 1 April 2016	37,234	14	37,248
Surplus from statement of comprehensive income	3,007	-	3,007
Transfer from revaluation reserve	-	-	-
Transfer from major repairs designated reserve	-	-	-
At 31 March 2017	<u>40,241</u>	<u>14</u>	<u>40,255</u>

Association Statement of Changes in Reserves

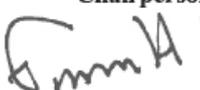
	Income and expenditure reserve £'000	Restricted reserves £'000	Total reserves £'000
At 1st April 2016	36,215	14	36,229
Surplus from statement of comprehensive income	2,824	-	2,824
Transfer from revaluation reserve	-	-	-
Transfer from major repairs designated reserve	-	-	-
At 31st March 2017	<u>39,039</u>	<u>14</u>	<u>39,053</u>

Consolidated Statement of Financial Position

	Note	2017 £'000	2016 £'000
Fixed assets			
Housing properties – gross	11	394,536	377,177
Depreciation	11	(33,842)	(31,039)
		<u>360,694</u>	<u>346,138</u>
Other tangible fixed assets	15	5,450	6,175
Investments	12	23,125	21,299
Investments in joint ventures	14	7,201	8,245
Homebuy loan	13	3,849	4,013
Total fixed assets		<u>400,319</u>	<u>385,870</u>
Current assets			
Debtors due within one year	17	11,202	2,329
Properties for sale	16	6,505	8,267
Cash at bank and in hand		11,352	11,220
		<u>29,059</u>	<u>21,816</u>
Debtors due after more than one year	17	1,246	1,335
Creditors: due in one year	20	(10,424)	(13,055)
Social housing grant due in one year	23	(1,606)	(1,602)
		<u>17,029</u>	<u>7,159</u>
Net current assets		<u>17,029</u>	<u>7,159</u>
Total assets less current liabilities		<u>418,594</u>	<u>394,364</u>
Creditors: due in more than one year	21	(164,447)	(148,438)
Social housing grant due after more than one year	23	(193,595)	(190,082)
Other grants due after more than one year	18	(1,948)	(1,869)
Housing grant relating to joint ventures		(8,290)	(6,730)
Homebuy grants due after more than one year	13	(3,577)	(3,709)
Housing Finance Grant	19	(1,633)	(1,633)
Provisions for liabilities and charges	27	(693)	(157)
Defined benefit pension liability	25	(4,156)	(4,498)
		<u>40,255</u>	<u>37,248</u>
Net assets		<u>40,255</u>	<u>37,248</u>
Capital and reserves			
Restricted reserve		14	14
Revenue reserve		40,241	37,234
		<u>40,255</u>	<u>37,248</u>
Total capital and reserves		<u>40,255</u>	<u>37,248</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 20 July 2017 and were signed on its behalf by:

Chairperson

Francis Jones

Board member

Michael Burr

Secretary

Debbie Green

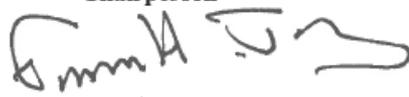
Association Statement of Financial Position

	Note	2017 £'000	2016 £'000
Fixed assets			
Housing properties – gross	11	394,536	377,177
Depreciation	11	(33,842)	(31,039)
		<u>360,694</u>	<u>346,138</u>
Other tangible fixed assets	15	5,450	6,175
Investments	12	22,824	20,999
Homebuy grant	13	<u>2,677</u>	<u>2,754</u>
Total fixed assets		<u>391,645</u>	<u>376,066</u>
Current assets			
Debtors due within one year	17	11,200	3,394
Properties for sale	16	6,505	8,267
Cash at bank and in hand		<u>10,546</u>	<u>10,720</u>
		<u>28,251</u>	<u>22,381</u>
Debtors due after more than one year	17	1,246	1,335
Creditors: due in one year	20	(11,605)	(12,824)
Social housing grant due in one year	23	(1,606)	(1,602)
		<u>15,039</u>	<u>7,955</u>
Net current assets		<u>15,039</u>	<u>7,955</u>
Total assets less current liabilities		<u>407,930</u>	<u>385,356</u>
Creditors: due in more than one year	21	(164,447)	(148,438)
Social housing grant due after more than one year	23	(193,595)	(190,082)
Other grants due after more than one year	18	(1,948)	(1,869)
Homebuy grants due after more than one year	13	(2,405)	(2,450)
Housing Finance Grant	19	(1,633)	(1,633)
Provisions for liabilities and charges	27	(693)	(157)
Defined benefit pension liability	25	(4,156)	(4,498)
		<u>39,053</u>	<u>36,229</u>
Net assets		<u>39,053</u>	<u>36,229</u>
Capital and reserves			
Restricted reserve		14	14
Revenue reserve		39,039	36,215
		<u>39,053</u>	<u>36,229</u>
Total capital and reserves		<u>39,053</u>	<u>36,229</u>

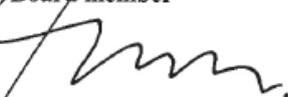
The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 20 July 2017 and were signed on its behalf by:

Chairperson


Francis Jones

Board member


Michael Burr

Secretary


Debbie Green

Consolidated Cash Flow Statement

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	31	<u>13,824</u>	<u>12,980</u>
Cash flow from financing activities			
Loan drawdown		10,300	12,591
Interest payable		(6,049)	(5,955)
Loan repayments		(5,716)	(1,734)
Cash flow from investing activities			
Purchase and construction of housing properties		(21,091)	(25,912)
Component replacements		(204)	(26)
Proceeds from sale of other fixed assets		4,470	4,378
Purchase of investments		(1,826)	(2,275)
New capital expenditure		(302)	(391)
Other grants received		79	873
Grant from Welsh Assembly for Joint Ventures		1,560	260
Social housing grant received		5,055	6,541
Homebuy grant received		32	4
Net change in cash and cash equivalents		<u>132</u>	<u>1,334</u>
Cash and cash equivalents at beginning of year		<u>11,220</u>	<u>9,886</u>
Cash and cash equivalents at end of the year		<u>11,352</u>	<u>11,220</u>

Association Cash Flow Statement

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	31	<u>15,022</u>	<u>13,225</u>
Cash flow from financing activities			
Loan drawdowns		10,300	12,591
Interest payable		(5,993)	(5,927)
Loan repayments		(5,716)	(1,734)
Cash flow from investing activities			
Purchase and construction of housing properties		(21,091)	(25,912)
Component replacements		(204)	(26)
Proceeds from sale of other fixed assets		4,470	4,378
Purchase of investments		(1,826)	(2,276)
New capital expenditure		(302)	(391)
Other grants received		79	873
Social housing grant received		5,055	6,541
Homebuy grant received		32	4
Net change in cash and cash equivalents		<u>(174)</u>	<u>1,346</u>
Cash and cash equivalents at beginning of year		<u>10,720</u>	<u>9,374</u>
Cash and cash equivalents at end of the year		<u>10,546</u>	<u>10,720</u>

Notes to the financial statements

Legal status

The Association is a registered under the Co-operative and Community Benefit Societies Act 2014 and is a Register Social Landlord with charitable status, registered with the Welsh Government.

Accounting policies

Format of accounts

The Association is a public benefit entity with a trading subsidiary. The financial statements have been prepared in accordance with applicable financial reporting standards in the United Kingdom, including the Statement of Recommended Practice for “Accounting by Registered Social Housing Providers” as updated in 2014 (Housing SORP 2014), and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015.

Basis of consolidation

The consolidated financial statements include the results of Coastal Housing Group Limited and its subsidiary Pennant Housing Association Limited which is also a registered social landlord – ‘the Group’.

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March under the requirements of FRS 102. The Association is required under the Co-operative and Community Benefit Societies Act 2014 to prepare Group accounts. The consolidation has been carried out in accordance with current accounting standards in order to show the financial information for the Group as a single economic entity. Where any conflict arises between the Housing SORP 2014 and applicable financial reporting standards, then the Housing SORP 2014 prevails.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, amortisation of social housing and other government grants, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Surpluses or deficits resulting from the sale of properties and fixed asset investments are shown in the income and expenditure account under surpluses/deficits from the sale of fixed assets. Revenue is recognised when sale completion of the property has been achieved.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Amortisation of Social Housing and other government grants is accounted for in line with the accounting policy.

Debtors

Short term debtors are measured at transaction price less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment. Where deferral of payment terms have been agreed at below market rate and where material, the balance is shown at the present value, discounted at a market rate.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Notes to the financial statements

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
- b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Pensions – defined contribution scheme

The Association makes payments to defined contribution schemes on behalf of its employees. The schemes are funded by fixed contributions from both employees and the Association. The scheme assets are invested separately from the Association assets in independently administered funds in the names of employees concerned and there is no residual liability for the Association beyond remittance of these contributions.

The associated expenditure is recognised immediately in the statement of comprehensive income in the year in which contributions are earned.

Pensions – defined benefit scheme

The Association makes payments to defined benefit pension schemes on behalf of its employees. The schemes are funded by contributions partly from the employees and partly by the Association at rates determined by independent actuaries. The scheme assets are invested separately from the Association assets in independently administered multi-employer funds.

The triennial valuations by the independent actuaries of the schemes highlight the estimated pension liability in respect of past service commitments, and the requisite employer contributions resulting from the projected surplus or deficit. The present value of these estimated future contributions is recognised as a liability in the statement of financial position.

The statement of comprehensive income reflects both a financing cost in respect of the calculated present values of future contributions, as well as a charge for pension deficit contributions arising directly in the year in which triennial valuation is published by the scheme actuaries.

Notes to the financial statements

Housing properties

Housing properties are principally properties available for rent and are stated at cost. The cost of properties is their purchase price together with incidental costs of acquisition and direct costs of the development process. Where properties come into the ownership of the Association under Section 106 agreements, these are often purchased at below cost price. Where this is the case the cost is increased to the full cost and the difference is shown as imputed cost within property acquisitions, with the corresponding balance shown as imputed grant within creditors.

Housing properties – depreciation is charged on the historic cost of property components. The depreciable amounts are written off over the estimated useful economic lives from the date of purchase / build. Freehold land is not depreciated. Leasehold properties are depreciated over the remaining period of the lease.

Properties in the course of construction are stated at cost and are transferred into social housing properties when completed. Any incremental overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on the initial purchase of land and buildings is capitalised and disclosed as part of properties in the course of construction.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Where a housing property comprises two or more components with substantially different useful economic lives then each component is accounted for separately. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on cost on a straight line basis over the components expected economic lives. Housing properties are broken down into the following three components, structure, windows and roofs.

Shared ownership properties are not depreciated on the basis that the residual value is likely to be greater than the net cost.

Profit or loss on disposal of property is recognised at the date a sale becomes certain. The profit or loss arising on disposal is the difference between the sale price, SHG income previously recognised within income, and the total of depreciated cost together with any associated costs of disposal such as legal and valuation fees.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The depreciable amount is arrived at on the basis of original cost, less residual value.

The Group depreciates the major components of its housing properties at the following annual rates:

Structure	1% to 10%
Roofs	2%
Windows	3%

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Notes to the financial statements

Social housing grant

Social housing grant (SHG) is receivable from the Welsh Government (the WG) and is repayable in the event of disposal, demolition or change of use to an ineligible activity, save in circumstance where the Welsh Government considers it appropriate to reduce the amount repayable. These are designed as a contribution towards the capital cost of providing new social housing and are received when a property is developed or acquired.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals method.

SHG due from the WG or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the WG. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in liabilities.

Where individual components are disposed of, this does not create a relevant event for recycling purposes. Upon disposal of the associated property, the Group is required to recycle the full amount of the original grant received. A contingent liability is disclosed in the accounts in relation to SHG amortised to date, due to the potential requirement to recycle upon sale of a property.

Housing finance grants

Housing finance grants (HFG) are capital grants receivable from the Welsh Government which are repayable to the extent that such amounts have been received in the event of the disposal, demolition or change of use to an ineligible activity. These are designed as a contribution towards the capital cost of providing new social housing and are received in instalments over a term of 30 years commencing once a scheme is approved for development.

Investment properties

Government grants received in respect of investment properties are recognised under the performance method. Where such grants are not subject to specified future performance related conditions they are recognised as income. Any grant received before the revenue recognition criteria is satisfied is recognised as a liability.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are shown as a liability on the statement of financial position. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Amortisation of grants

Grants relating to assets are recognised in income on a straight line basis over the expected useful life of the asset. Government grants received for housing properties are recognised in income over the expected useful life of the housing property structure – over 10 – 100 years.

Where grants are received in advance they are carried forward as current liabilities to be matched against future capital expenditure as it is incurred. Grants receivable in respect of completed schemes or those under construction are included as debtors in the financial statements.

Notes to the financial statements

Development costs

Development costs are capitalised in as much as they comprise purchase price, directly attributable costs to bring the properties into working condition for their intended use and incremental costs that would have been avoided only if the properties had not been constructed as required. Any other development costs which are not directly attributable have been written off to the Statement of Comprehensive Income.

Hostels managed by agents

Revenue grant received in relation to these schemes is included in turnover. A substantial portion of the grant is paid over to the managing agent, this expenditure being incorporated in operating costs.

Managing agents collect rent on the schemes, which is applied by them towards the cost of housing the residents. This income and expenditure has been excluded for the accounts of the Association.

Impairment

Housing properties, including those with individual components, and other assets are assessed whether an indication of impairment exists at each reporting date.

Where there is evidence of impairment, assets are written down to their recoverable amount, being the higher of the value in use and fair value less costs to sell. Any such write down is charged to operating surplus.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	10 -150 years
Fixed plant & machinery	4 -30 years
Furniture, fixtures and fittings	5-10 years
Computers and office equipment	3-5 years
Motor vehicles	5 years
Scheme assets	4-30 years

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to expenditure over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to expenditure on a straight-line basis over the lease term.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Notes to the financial statements

Investments in Subsidiary

Investment in the subsidiary is accounted for at cost less any impairment.

Fixed asset investments

Investments held as fixed assets are stated at market value.

Home buy option

Where the Organisation received an allowance from Welsh Assembly Government to administer the sale of property under the “Home Buy Option” initiative and in turn has made an interest free loan to the purchaser secured by a charge on the property, the loan is accounted for under investments at cost with the associated grant included in long term liabilities on the statement of financial position.

Employee benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Investment property

Investment properties consist of commercial properties not held for the social benefit or for use in the business. Investment properties are measured at costs on initial recognition and subsequently at fair value at the year end, with any changes in fair value recognised in income and expenditure.

Loans

Basic financial instruments are recognised at amortised historical cost. Loan arrangement fees are capitalised and recognised over the term of the loan through the effective interest rate applied to the loan and amendments there to when subsequent fees arise during the course of such loans. Interest on loans is recognised in like manner using the present value of estimated future interest payments.

Joint ventures

The Group will account for the joint venture under the gross equity method in line with Housing SORP 2014. The investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in share of net liabilities.

Restricted reserve

A special reserve has been created representing funds transferred from Hanover Housing Association to cover improvements or major repair costs on traditionally funded schemes.

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the financial statements

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Specifically this includes whether there is an impairment indicator for a cash-generating unit. For these purposes a cash-generating unit is defined as a property scheme.

Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Categorisation of properties between investment properties and property, plant and equipment

The Association bases this assessment depending on the use of the asset and the level of rent charged.

Estimation uncertainty

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation

Tangible fixed assets, other than investment properties, are depreciated over their useful lives based on various factors. The actual lives of the assets are re-assessed on a periodic basis and may vary depending on the standard of the asset. For housing property assets, the assets are broken down into components based on management's assessment of the properties and the specific costs incurred in replacing these components. Individual useful economic lives are assigned to these components.

Notes to the financial statements

1. Particulars of turnover, cost of sales, operating costs and operating surplus

Group – continuing activities

	Note	2017		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	2	<u>27,302</u>	<u>(20,717)</u>	<u>6,585</u>
Other social housing activities				
Development costs not capitalised		607	(604)	3
Management services		1,675	(82)	1,593
Other		1,217	(418)	799
Pennant Homes		310	(110)	200
		<u>31,111</u>	<u>(21,931)</u>	<u>9,180</u>

	Note	2016		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	2	<u>26,234</u>	<u>(19,830)</u>	<u>6,404</u>
Other social housing activities				
Development costs not capitalised		816	(856)	(40)
Management services		1,739	(86)	1,653
Other		976	(378)	598
Pennant Homes		274	(124)	150
		<u>30,039</u>	<u>(21,274)</u>	<u>8,765</u>

Notes to the financial statements

1a. Particulars of turnover, cost of sales, operating costs and operating surplus

Association – continuing activities

	Note	2017		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	2	<u>27,302</u>	<u>(20,717)</u>	<u>6,585</u>
Other social housing activities				
Development costs not capitalised		607	(604)	3
Management services		1,675	(82)	1,593
Other		1,217	(417)	800
		<u>30,801</u>	<u>(21,821)</u>	<u>8,980</u>
	Note	2016		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	2	<u>26,234</u>	<u>(19,830)</u>	<u>6,404</u>
Other social housing activities				
Development costs not capitalised		816	(856)	(40)
Management services		1,739	(86)	1,653
Other		976	(378)	598
		<u>29,765</u>	<u>(21,150)</u>	<u>8,615</u>

Notes to the financial statements

2. Particulars of income and expenditure from social housing lettings

Group and Association

	2017	2016	
	General needs housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	22,149	22,149	21,282
Rent loss due to voids	(580)	(580)	(618)
	<u>21,569</u>	<u>21,569</u>	<u>20,664</u>
Service charge income	3,912	3,912	3,856
Other revenue grants	264	264	214
Amortisation of grants	1,557	1,557	1,500
	<u>27,302</u>	<u>27,302</u>	<u>26,234</u>
Turnover from social lettings			
Overhead costs	(6,398)	(6,398)	(6,051)
Management	(2,192)	(2,192)	(2,078)
Services	(2,919)	(2,919)	(2,810)
Routine maintenance	(2,212)	(2,212)	(2,399)
Major repairs expenditure	(4,287)	(4,287)	(3,868)
Depreciation of housing properties	(2,422)	(2,422)	(2,380)
Bad debts	(287)	(287)	(244)
	<u>(20,717)</u>	<u>(20,717)</u>	<u>(19,830)</u>
Operating costs on social housing lettings			
Operating surplus on social housing lettings	<u>6,585</u>	<u>6,585</u>	<u>6,404</u>

Notes to the financial statements

3. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group		Association	
	2017 No	2016 No	2017 No	2016 No
Social housing				
General	5,223	5,085	5,223	5,085
Shared ownership	28	29	28	29
Property ownership in Joint Ventures	318	278	318	278
Total managed	<u>5,569</u>	<u>5,392</u>	<u>5,569</u>	<u>5,392</u>

4. Operating surplus

The operating surplus is arrived at after charging/(crediting):

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus/(Deficit) on disposal of fixed assets	(120)	634	(120)	634
Auditors' remuneration (including VAT)	<u>30</u>	<u>30</u>	<u>25</u>	<u>25</u>

5. Interest receivable and other income

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest receivable and similar income	<u>161</u>	<u>92</u>	<u>161</u>	<u>92</u>

6. Interest payable and similar charges

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans and bank overdrafts	6,368	6,148	6,312	6,120
Interest payable capitalised on housing properties under construction	(319)	(193)	(319)	(193)
Unwinding of discount factor on pension liability	87	64	87	64
	<u>6,136</u>	<u>6,019</u>	<u>6,080</u>	<u>5,991</u>

Notes to the financial statements

7. Employees

Average monthly number of employees expressed as full time equivalents:

	Group		Association	
	2017 No	2016 No	2017 No	2016 No
Corporate support	34	37	34	37
Development and Pennant Housing	19	17	14	12
	170	181	170	181
	<u>223</u>	<u>235</u>	<u>218</u>	<u>230</u>

8. Employee costs:

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	5,899	5,772	5,814	5,685
Social security costs	506	464	500	457
Other pension costs	264	292	261	289
	<u>6,669</u>	<u>6,528</u>	<u>6,575</u>	<u>6,431</u>

9. Board members and executives

	2017			2016	
	Basic Salary £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	Total £'000
Aggregate emoluments	<u>393</u>	<u>-</u>	<u>25</u>	<u>418</u>	<u>474</u>

The highest paid senior executive during the period was the Chief Executive. The total emoluments of the highest paid senior executive excluding pension contributions were £127,575 (2016: £122,552).

Pension costs are shown as contributions paid on the senior executive's behalf. The number of senior executives accruing retirement benefits is 5 (2016: 5).

The full time equivalent number of key management personnel whose remuneration payable (including pension costs) in the period fell within the following bands was:

	2017	2016
£70,000 - £79,999	1	1
£80,000 - £89,999	2	3
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-

The Chief Executive is an ordinary member of the contributory pension scheme – no enhancement or special terms apply and the Association makes no contribution to any individual pension arrangement.

None of the Board members received emoluments. Expenses paid to Board Members amounted to £6,174 (2016: £5,054).

Notes to the financial statements

10. Tax on surplus of ordinary activities

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current tax reconciliation				
Taxable surpluses/(losses) on ordinary activities before tax	83	105	-	-
Theoretical tax at UK corporation tax rate				
Group – (20% (2015:20%))	17	21	-	-
Depreciation	-	-	-	-
Non-taxable income	-	-	-	-
Losses utilised in the year	-	-	-	-
Current tax charge	<u>17</u>	<u>21</u>	<u>-</u>	<u>-</u>

11. Tangible fixed assets - properties

	Social Housing Properties held for letting £'000	Housing Properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total reserves £'000
Cost				
At 1 st April 2016	348,669	21,629	6,879	377,177
Additions	2,378	19,078	19	21,475
Schemes completed in year	16,762	(16,762)	-	-
Transferred to investments/other assets	319	(319)	-	-
Disposals	(1,194)	(2,653)	(269)	(4,116)
At 31 st March 2017	<u>366,934</u>	<u>20,973</u>	<u>6,629</u>	<u>394,536</u>
Depreciation				
At 1 st April 2016	(30,693)	-	(346)	(31,039)
Charged in year	(2,782)	(29)	(44)	(2,855)
Schemes completed in year	(29)	29	-	-
Eliminated on disposal	39	-	13	52
At 31 st March 2017	<u>(33,465)</u>	<u>-</u>	<u>(377)</u>	<u>(33,842)</u>
Net book value				
At 31 st March 2017	<u>333,469</u>	<u>20,973</u>	<u>6,252</u>	<u>360,694</u>
At 31 st March 2016	<u>317,976</u>	<u>21,629</u>	<u>6,533</u>	<u>346,138</u>

Notes to the financial statements

12. Fixed asset investments

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Commercial properties	<u>20,919</u>	<u>18,952</u>	<u>20,919</u>	<u>18,952</u>
Residential properties				
Other individual properties	2,206	2,347	1,905	2,047
	<u>23,125</u>	<u>21,299</u>	<u>22,824</u>	<u>20,999</u>

In line with the accounting policy fixed asset investments are accounted for at valuation. The Board of Management are confident that the cost of these properties is a fair reflection of their market value based upon the leases that are in place.

The commercial properties were valued by CLC Chartered Surveyors dated March 2017.

13. Homebuy

Group

The assets represent secured interest free loans to freeholders on 146 (2016: 154) properties acquired under the 'Home Buy Option Initiative' which has been funded by Housing Association Grant. At 31 March 2017 these investments amounted to £3,849,000 (2016: £4,013,000). There is also grant attached to these properties. This amounted to £3,577,000 (2016: £3,709,000) and is included within liabilities.

Association

The assets represent secured interest free loans to freeholders on 68 (2016: 70) properties acquired under the 'Home Buy Option Initiative' which has been funded by Housing Association Grant. At 31 March 2017 these investments amounted to £2,677,000 (2016:£2,754,000). There is also grant attached to these properties. This amounted to £2,405,000 (2016:£2,450,000) and is included within liabilities.

Notes to the financial statements

14. Joint Ventures

The Joint Ventures relate to 30% holdings held by Pennant Housing Association in The Welsh Housing Partnership Limited (WHP) and WHP2 Limited (WHP2), both companies being incorporated in the United Kingdom. The principle activity of the companies is to purchase properties and lease them to Housing Associations connected to the investors. Their principle place of business is the Pobl Group offices at The Old Post Office, Exchange House, High Street, Newport, NP20 1AA.

WHP was incorporated in August 2011 and the latest financial statements have been prepared to 31 December 2016. The year end does not coincide with the Coastal Housing Group year end of 31 March 2017. The Group's share of the surplus of WHP from the 31 December 2016 period has been absorbed into their March 2017 year end via the gross equity method.

WHP2 was incorporated on 8 December 2016 and the first financial statements will be prepared to 31 December 2017.

On 10 March 2017 WHP refinanced its loans, resulting in additional available funding. As a result, WHP's share capital has been reduced and converted to a distributable reserve. A distribution to investors from this distributable reserve took place on 31 March 2017. These transactions have been reflected in the Group's share in WHP as shown below.

The Coastal Housing Group's share of the joint venture at 31 December 2016 was as follows:

	December 2016 £'000	December 2015 £'000
Turnover	1,101	1,037
Administrative expenses	(143)	(101)
Operating surplus	<u>958</u>	<u>936</u>
Surplus on sale of assets	3	-
Interest payable and similar charges	(869)	(879)
Other finance costs	(3)	(3)
Surplus on ordinary activities before taxation	<u>89</u>	<u>54</u>
Joint venture adjustment to prior year	-	-
Tax on surplus of ordinary activities	(33)	(22)
Surplus for the financial year	<u><u>56</u></u>	<u><u>32</u></u>
Fixed assets	33,243	31,751
Current assets	140	355
Creditors :amount falling due within one year	(450)	(155)
Creditors :amount falling due after more than one year	(23,704)	(23,709)
FRS102 prior year adjustment	-	-
Shareholders' funds	<u><u>9,229</u></u>	<u><u>8,242</u></u>

Notes to the financial statements

14. Joint Ventures (continued)

Association share in joint ventures:	March 2017 £'000	March 2016 £'000
WHP investment as at 31 December 2016	7,950	7,950
Capital investment in WHP	930	-
Interest in WHP	349	292
WHP investment as at 31 March 2017	<u>9,229</u>	<u>8,242</u>
Capital reduction in March 2017	(3,989)	-
Distributable reserve retained in WHP in March 2017	641	-
Purchase of properties	-	3
Total interest in WHP	<u>5,881</u>	<u>8,245</u>
WHP2 investment as at 31 March 2017	1,320	-
Investment in Joint Ventures	<u><u>7,201</u></u>	<u><u>8,245</u></u>

Notes to the financial statements

15. Tangible fixed assets – other

Group	Freehold offices £'000	Computers and office equipment £'000	Furniture, Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 st April 2016	4,611	894	4,048	2	9,555
Additions	-	139	163	-	302
Transfer	-	-	-	-	-
Disposals	(523)	-	(6)	-	(529)
At 31 st March 2017	<u>4,088</u>	<u>1,033</u>	<u>4,205</u>	<u>2</u>	<u>9,328</u>
Depreciation					
At 1 st April 2016	(167)	(595)	(2,616)	(2)	(3,380)
Charged in year	(101)	(149)	(251)	-	(501)
Eliminated on disposal	-	-	3	-	3
At 31 st March 2017	<u>(268)</u>	<u>(744)</u>	<u>(2,864)</u>	<u>(2)</u>	<u>(3,878)</u>
Net book value					
At 31 st March 2017	<u>3,820</u>	<u>289</u>	<u>1,341</u>	<u>-</u>	<u>5,450</u>
At 31 st March 2016	<u>4,444</u>	<u>299</u>	<u>1,432</u>	<u>-</u>	<u>6,175</u>
Association					
	Freehold offices £'000	Computers and office equipment £'000	Furniture, Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 st April 2016	4,611	876	4,031	2	9,520
Additions	-	139	163	-	302
Transfer	-	-	-	-	-
Disposals	(523)	-	(6)	-	(529)
At 31 st March 2017	<u>4,088</u>	<u>1,015</u>	<u>4,188</u>	<u>2</u>	<u>9,293</u>
Depreciation					
At 1 st April 2016	(167)	(577)	(2,599)	(2)	(3,345)
Charged in year	(101)	(149)	(251)	-	(501)
Eliminated on disposal	-	-	3	-	3
At 31 st March 2017	<u>(268)</u>	<u>(726)</u>	<u>(2,847)</u>	<u>(2)</u>	<u>(3,843)</u>
Net book value					
At 31 st March 2017	<u>3,820</u>	<u>289</u>	<u>1,341</u>	<u>-</u>	<u>5,450</u>
At 31 st March 2016	<u>4,444</u>	<u>299</u>	<u>1,432</u>	<u>-</u>	<u>6,175</u>

Notes to the financial statements

16. Properties for sale

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Properties for sale	<u>6,505</u>	<u>8,267</u>	<u>6,505</u>	<u>8,267</u>

17. Debtors

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due within one year				
Rent and service charge receivable	1,174	1,090	1,174	1,090
Less: provision for bad and doubtful debts	<u>(573)</u>	<u>(485)</u>	<u>(573)</u>	<u>(485)</u>
	601	605	601	605
Accrued income	9,019	831	9,019	571
Other debtors	163	633	161	1,958
Prepayments and accrued income	1,419	260	1,419	260
	<u>11,202</u>	<u>2,329</u>	<u>11,200</u>	<u>3,394</u>

Included in accrued income is £238,584 (2016:£182,517) of loan interest receivable from Pennant.

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due in more than one year				
Housing finance grant	1,246	1,335	1,246	1,335
	<u>1,246</u>	<u>1,335</u>	<u>1,246</u>	<u>1,335</u>

18. Other Government Grants

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current investment SHG	593	514	593	514
Commercial grants	1,355	1,355	1,395	1,355
	<u>1,948</u>	<u>1,869</u>	<u>1,948</u>	<u>1,869</u>

19. Housing Finance Grants

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Housing finance grant	1,633	1,633	1,633	1,633
	<u>1,633</u>	<u>1,633</u>	<u>1,633</u>	<u>1,633</u>

Notes to the financial statements

20. Creditors: amounts falling due within one year

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Debt (note 22)	1,803	4,909	1,803	4,909
Rent and service charges received in advance	402	355	402	355
Recycled capital grant fund	3,312	2,907	3,312	2,907
Other taxation and social security	271	250	271	250
Other creditors	613	718	2,129	693
Accruals and deferred income	2,184	2,334	1,926	2,128
Capital expenditure on housing property	1,838	1,582	1,762	1,582
	<u>10,424</u>	<u>13,055</u>	<u>11,605</u>	<u>12,824</u>

21. Creditors: amounts falling due after more than one year

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Deferred Income	1,319	-	1,319	-
Debt (note 22)	163,128	148,438	163,128	148,438
	<u>164,447</u>	<u>148,438</u>	<u>164,447</u>	<u>148,438</u>

22. Debt analysis

Borrowings	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due within one year				
Bank loans	<u>1,803</u>	<u>4,909</u>	<u>1,803</u>	<u>4,909</u>

Due after more than one year	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loans	<u>163,128</u>	<u>148,438</u>	<u>163,128</u>	<u>148,438</u>

Security

Bank loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans with Banks and Building Societies are secured by fixed charges on individual properties. Rates of interest during the year range from 0.7% to 11.6%. The weighted average rate of interest for 2017 was 3.65% (2016: 3.56%). As at 31 March 2017, 67% (2016: 67%) of loans bore interest at fixed rates and 33% (2016: 33%) at variable rates.

Notes to the financial statements

Based on the lender's earliest repayment date, borrowings are repayable as follows:

Terms of repayment	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	1,803	4,909	1,803	4,909
Between one and two years	2,544	1,996	2,544	1,996
Between two and five years	10,631	8,072	10,631	8,072
More than five years	149,953	138,370	149,953	138,370
	<u>164,931</u>	<u>153,347</u>	<u>164,931</u>	<u>153,347</u>

Notes to the financial statements

23. Social Housing Grant

	Social Housing Properties held for letting £'000	Social Housing properties for letting under construction £'000	Completed Share Ownership Housing properties £'000	Total reserves £'000
Cost				
At 1 st April 2016	(192,576)	(13,933)	(1,668)	(208,177)
Additions	(60)	(5,221)	-	(5,281)
Schemes completed in year	(7,837)	7,837	-	-
Transferred to investments/other assets	-	-	-	-
Disposals	30	100	96	226
At 31 st March 2017	<u>(200,443)</u>	<u>(11,217)</u>	<u>(1,572)</u>	<u>(213,232)</u>
Amortisation				
At 1 st April 2016	18,340	-	131	18,471
Charged in year	1,500	29	15	1,544
Transferred to commercial	(9)	-	(12)	(21)
Schemes completed in year	29	(29)	-	-
Eliminated on disposal	-	-	-	-
At 31 st March 2017	<u>19,860</u>	<u>-</u>	<u>134</u>	<u>19,994</u>
Other grants				
At 1 st April 2016	(1,947)	(160)	-	(2,107)
Additions	-	-	-	-
Schemes completed in year	-	-	-	-
Disposals	-	-	-	-
At 31 st March 2017	<u>(1,947)</u>	<u>(160)</u>	<u>-</u>	<u>(2,107)</u>
Amortisation				
At 1 st April 2016	129	-	-	129
Charged in year	15	-	-	15
Transferred to commercial	-	-	-	-
Eliminated on disposal	-	-	-	-
At 31 st March 2017	<u>144</u>	<u>-</u>	<u>-</u>	<u>144</u>
Net Creditor				
At 31 st March 2017	<u>(182,386)</u>	<u>(11,377)</u>	<u>(1,438)</u>	<u>(195,201)</u>
At 31st March 2016	<u>(176,054)</u>	<u>(14,093)</u>	<u>(1,537)</u>	<u>(191,684)</u>
Split as follows				
Due in <1 year				(1,606)
Due in >1 year				(193,595)

Notes to the financial statements

23. Social Housing Grant

Terms of repayment

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	1,606	1,602	1,606	1,602
Between one and two years	1,606	1,602	1,606	1,602
Between two and five years	4,818	4,806	4,818	4,806
More than five years	187,171	183,674	187,171	183,674
	<u>195,201</u>	<u>191,684</u>	<u>195,201</u>	<u>191,684</u>

24. Obligations under operating leases

	Land and Buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	1,270	1,516	140	61
Between one and two years	1,270	1,516	169	17
Between two and five years	3,810	4,548	211	123
More than five years	14,548	6,821	-	-
	<u>20,898</u>	<u>14,401</u>	<u>520</u>	<u>201</u>

25. Pension provision

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 st April 2016	4,498	4,867	4,498	4,867
Discount factor on pension liability	87	64	87	64
Deficit contribution paid	(546)	(406)	(546)	(406)
Re-measurement of pension liability	117	(27)	117	(27)
At 31 st March 2017	<u>4,156</u>	<u>4,498</u>	<u>4,156</u>	<u>4,498</u>

Terms of repayment

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	567	546	567	546
Between one and two years	590	567	590	567
Between two and five years	1,584	1,733	1,584	1,733
More than five years	1,415	1,652	1,415	1,652
	<u>4,156</u>	<u>4,498</u>	<u>4,156</u>	<u>4,498</u>

Notes to the financial statements

26. Social Housing Pension Scheme (Group and Association)

Coastal Housing Group limited participates in defined benefit and defined contribution schemes. Three defined benefit structures are made available through the Social Housing Pension Scheme (SHPS), which is a multi-employer scheme providing benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme. Coastal Housing Group agreed the following deficit contributions:

From 1 st April 2016 to 30 th September 2020	£546,000 per annum (increasing by 4% per annum to £613,000)
From 1 st April 2020 to 30 th September 2026	£530,000 per annum (decreasing to £321,000 per annum)
30 th September 2026	Final payment of £165,000

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) Levy are included in the contribution rate. Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Two of the existing structures are now closed to new members, one is based on a final salary with a 1/60th accrual rate, and the other is based on career average revalued earnings (CARE), with a 1/60th accrual rate. The remaining structure which is still open to new members is based on a final salary with a 1/80th accrual rate.

During the accounting period the Group paid contributions at the rate of 12.10% in respect of the final salary 1/60th accrual rate structure, 7.3% in respect of the CARE 1/60th accrual rate structure and 5.4% in respect of the final salary 1/80th accrual rate structure. In addition the Group made an annual contribution of £546,000 toward the past service deficit. As at the balance sheet date there were 93 (2016: 94) active members of the scheme.

The Group also contributed to defined contribution (money purchase) schemes. Contributions in the year totalled £264,000 (2016: £292,000)

Notes to the financial statements

26. Social Housing Pension Scheme (Group and Association)

The financial assumptions underlying the valuation as at 30th September 2014 were as follows:

	% per annum	
Valuation Discount Rates:		
Pre-Retirement		2.6%
Non-pensioner post retirement		2.6%
Pensioner post retirement		3.0%
Inflation: RPI and CPI:		
Non-pensioner		3.37%
Pensioner		3.17%
	In line with CPI up to 5% per annum	In line with CPI up to 3% per annum
Pension Increases:		
Non-pensioner	3.27%	2.90%
Pensioner	3.07%	2.90%

27. Provisions for liabilities

The provision of £693,000 is made up of :-	£'000
a) Tenant financial loss	4
b) Employee Legal provision	10
c) Restructuring provision	179
d) Provision for upgrades to existing housing	500
Total	<u>693</u>

28. Share Capital

	2017 £	2016 £
Shares of one pound each fully paid and issued	<u>86</u>	<u>89</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on winding up.

29. Subsidiary Company

As required by statute, the financial statements consolidate the results of Pennant Housing Association Limited which is a subsidiary of the Association at the end of the year. The Association has the right to appoint members to the Board and thereby exercise control over the subsidiary.

30. Intercompany Loan

Pennant Housing Association Limited have a loan agreement with Coastal Housing Group Limited in that a maximum borrowing of £5m can be taken at any one given time and interest is charged at a rate of 3.5% per annum (variable) on this loan. Interest charged to Pennant Housing Association Limited during the year amounted to £56,607 (2016: £27,703).

Notes to the financial statements

31. Net cash flow from operating activities

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus for the year	9,180	8,765	8,980	8,615
Adjustments for non-cash items;				
Depreciation of tangible fixed assets	3,356	3,311	3,356	3,308
Amortisation of intangible assets	(1,538)	(1,447)	(1,538)	(1,447)
Decrease/(Increase) in Stock	1,762	(447)	1,762	(447)
Decrease/(Increase) in WHP Investment	1,044	(32)	-	-
Decrease/(Increase) in Trade and Other Debtors	(1,784)	2,341	(716)	2,770
Increase/(Decrease) in Trade and Other Creditors	1,614	863	3,026	811
Increase/(Decrease) in Provisions	536	(71)	536	(71)
Increase/(Decrease) in Pension Provision	(342)	(369)	(342)	(369)
Re-measurement of pension liability	(117)	27	(117)	27
Share of operating surplus/(deficit) in joint venture	56	32	-	-
Taxation payable	(17)	(21)	-	-
Interest payable	(87)	(64)	(87)	(64)
Interest received	161	92	161	92
Net cash generated from operating activities	13,824	12,980	15,022	13,225

32. Capital commitments

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Capital expenditure				
Contracted less certified	15,053	33,616	15,053	21,172
Expenditure authorised by the Board, but not contracted	30,336	47,965	30,336	39,010
	45,389	81,581	45,389	60,182

The above commitments will be financed primarily through borrowings, which are available for draw-down under existing loan arrangements, with the balance funded through social housing grant.

33. Related parties

The following Board Members were also tenants during the year:

Sandra Jones (Resigned September 2016)
Dawn Mitchell (Resigned May 2017)
William Evans (Appointed September 2016)
Nazma Ali Rasood (Appointed September 2016)

These Board Members have standard tenancy agreements on normal commercial terms and receive no advantage in being members of the Board of Management.

Notes to the financial statements

34. Related parties subsidiary

Pennant during the year sold properties on behalf of Coastal Housing Group Ltd. This resulted in a payment of commission to Pennant of £238,584 (2016: £182,517).

35. Contingent assets/liabilities

The Group and Association had no contingent assets or contingent liabilities at 31 March 2017 (2016: NIL).

The Group receives capital grant from the Welsh Government, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the Group is required to recycle this grant by crediting the Recycled Capital Grant Fund.

Social Housing Grant may become repayable in the following circumstances:

- Disposal of a property (including disposals on assisted ownership terms) other than to another RSL;
- Change of use of a property to a use that would be eligible for a lesser amount of grant;
- Change of use of a property to a use that would not be eligible for a grant;
- Demolition of a property where the site does not form part of a new social housing development by a RSL;
- a disposal given rise to a repayment of discount under Schedule 2 to the Housing Association Act 1985.

The Association amortises government grants over the useful life of the properties, as required by Housing SORP 2014. Although the Association has no current plans to sell its housing land and buildings, if it were to then government grants may become repayable. The total contingent liability as at 31st March 2017 is £2,312,259 (2016 £2,907,059).

The Association is a participating employer member of the Social Housing Pension Scheme (SHPS). An employer debt could arise on withdrawal from the Social Housing Pension Scheme. The estimated employer debt for the Association on withdrawal from the SHPS plan based on the financial position of the scheme as at 30th September 2016 was £37,073,410. As events which could crystallise the debt are unlikely to arise in the foreseeable future, no specific provision is deemed necessary.