

Pennant Housing Association Limited

Report and financial statements
For the year ended 31 March 2019



Information

Industrial and Provident Society number: 25553R

Welsh Government registration number: P092

Registered office: 3rd floor, 220 High Street, Swansea, SA1 1NW

Board:

Non Executive Board members

Francis Jones (Chair)
Trevor Carr (appointed May 2019)
Kay Howell
Clive Owen
Alun Williams (Coastal appointee from October 2018)
Michael Burr (resigned September 2018)
Kirsty Ellis (resigned September 2018)
Amanda Protheroe (resigned July 2018)
Janet Thomas (to May 2018)
Roger Williams (resigned September 2018)

Executive Board members (Coastal appointees)

Debbie Green (Chief Executive, Executive Board member from October 2018)
Simon Jones (Executive Director of Finance, Executive Board member from October 2018)

Other Executive Directors:

Caroline Belasco (Executive Director of HR and Corporate Services)
Gareth Davies (Executive Director of Growth & New Business)
Serena Jones (Executive Director of Operations)

Company Secretary:

Debbie Green

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
Two Central Square, Central Square, Cardiff

Auditors:

Bevan Buckland LLP
Langdon House, Langdon Road,
SA1 Swansea Waterfront

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Report of the Board and strategic report

The Board of Pennant Housing Association Limited is pleased to present its strategic report together with the audited financial statements for the year ended 31 March 2019.

Principal Activities

Pennant Housing Association Limited (“the Association”) is a subsidiary of Coastal Housing Group Limited (“Coastal”, together “the Group”). The Association is a non-charitable not for profit company, and Coastal is charitable. Both are registered as social landlords with the Welsh Government and are Community Benefit societies.

The principal activity of the Association is the management of the Group’s home ownership activity.

Business and financial review

The Association showed a surplus for the year of £39,852 (2018: £114,993) Turnover was £543,916 (2018: £558,618), cost of sales was £211,629 (2018: £240,183) and operating costs were £182,258 (2018: £199,243). The Association has also accounted for its share of the loss in joint ventures of £53,000 (2018: £32,000).

After taking into consideration the surplus for the year, the Association's revenue reserves have increased to £1,358,176 (2018: £1,318,324).

During the financial year the Association acquired two sites on which to develop homes for sale on the open market. The first of these sites, at Pen y Fai in Bridgend, has been contracted and is now on site. The site will result in 20 new homes which we expect to complete from April 2020. External funding is in place for this development. The second site, for which planning permission has been received, is likely to be contracted sometime in 2020. See below for site plan.

The Association continued its involvement during the year managing the Group’s home ownership schemes.

The Association is an investor in the Welsh Housing Partnership, and there are two joint venture companies – The Welsh Housing Partnership Limited (“WHP”) and WHP2 Limited (“WHP2”). The Board is happy with the financial performance of both joint ventures, which make accounting losses due to the charging of depreciation against the housing assets they own. During the financial year the Association continued its planned investment in WHP2, and as a result new rented homes were leased to Coastal. More information is given in note 21.



Report of the Board and strategic report

Board members and executive directors

The Board members of the Association and executive directors of the Group are set out on the information page. The Board is made up of non-executive and executive members, some of whom are appointed by Coastal.

Report of the Board on corporate governance

The Board is responsible for the overall control of the Association and is drawn from a wide background bringing together professional, commercial and local expertise. The inclusion of executives and Coastal appointees on the Board during the year reflects the focus of the Association on home ownership activity. The Board generally meets five times per year and day to day operations are delegated to the Chief Executive.

The Association is committed to the highest standards of governance and has formal terms of reference with Coastal.

Internal controls assurance

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

The system of internal control is designed to 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 Association and the Group is ongoing and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the report and financial statements.

Key elements of the control framework, applicable to the Group, include:

- Coastal Board approved terms of reference and delegated authorities for Boards and Committees
- 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
- Coastal 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 the Coastal Board has delegated authority to the audit committee to regularly review the effectiveness of the Group's 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

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.

Co-operative and Community Benefit 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). Under the Co-operative and Community Benefit 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 Update 2014 (Housing 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it 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 is 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.

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

Annual general meeting

The annual general meeting will be held on 19 September 2019 at 220 High Street.

External auditors

A resolution to reappoint Bevan Buckland LLP will be proposed at the annual general meeting.

The report of the Board was approved by the Board on 18 July 2019 and signed on its behalf by:



Francis Jones
Chairperson

Independent auditor's report to the members of Pennant Housing Association Limited on corporate governance

In addition to our audit on the financial statements for the year ended 31st March 2019, we have reviewed the Board's statement on the company's compliance with the Welsh Assembly Government Circular 02/10, Internal Financial Controls 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 controls assurance 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 LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8 QY

Date: 18th July 2019

Independent auditor's report to the members of Pennant Housing Association Limited

We have audited the financial statements of Pennant Housing Association Limited for the year ended 31 March 2019 which comprise of the statement of comprehensive income, the statement of changes in reserves, the statement of financial position and the 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

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

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members of Pennant Housing Association 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.

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board (set out on page 3), the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea

Date: 18th July 2019

Statement of Comprehensive Income

	Note	2019 £	2018 £
Turnover	1	543,916	558,618
Cost of sales	1	<u>(211,629)</u>	<u>(240,183)</u>
Gross surplus		332,287	318,435
Operating costs	1	<u>(182,258)</u>	<u>(199,243)</u>
Operating surplus		150,029	119,192
Loss from interest in joint ventures	3	(53,000)	(32,000)
Interest receivable and other income	4	3,803	60,343
Interest payable and similar charges	5	<u>(42,718)</u>	<u>-</u>
Surplus on ordinary activities before taxation		58,114	147,535
Tax on surplus of ordinary activities	8	(18,262)	(32,542)
Surplus for year		<u>39,852</u>	<u>114,993</u>
Total comprehensive income for year		<u>39,852</u>	<u>114,993</u>

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the statement of comprehensive income.

The financial statements were approved by the Board on 18 July 2019 and were signed on its behalf by:

Chairperson



Francis Jones

Board member



Simon Jones

Secretary



Debbie Green

Statement of Changes in Reserves

	Note	Income and expenditure reserve £
At 1 April 2018	17	1,318,324
Surplus from statement of comprehensive income		39,852
At 31 March 2019	17	<u>1,358,176</u>

Statement of Financial Position

	Note	2019 £	2018 £
Fixed assets			
Tangible fixed assets	9	-	-
Investments			
Investment in joint ventures	21	9,562,834	7,738,835
Long term investments	11	238,875	266,376
Homebuy loans		1,116,590	1,129,693
Total fixed assets		10,918,299	9,134,904
Current assets			
Work in progress		1,853,705	341,188
Debtors due within one year	12	10,163	8,916
Cash at bank and in hand		1,169,065	1,433,487
		3,032,933	1,783,591
Creditors: due in one year	13	(1,335,000)	(180,711)
Net current assets		1,697,933	1,602,880
Total assets less current liabilities		12,616,232	10,737,784
Grant relating to joint ventures	14	(9,816,453)	(8,289,754)
Homebuy grants due after more than one year	14	(1,116,590)	(1,129,693)
Loan	14	(325,000)	-
Net assets		1,358,189	1,318,337
Capital and reserves			
Share capital	16	13	13
Revenue reserve	17	1,358,176	1,318,324
Total capital and reserves		1,358,189	1,318,337

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 18 July 2019 and were signed on its behalf by:

Chairperson



Francis Jones

Board member



Simon Jones

Secretary



Debbie Green

Notes to the financial statements

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, and is a not for profit Registered Social Landlord with non-charitable status, registered with the Welsh Government. The Association is a subsidiary of Coastal Housing Group Limited, which has charitable status and is also registered as a Registered Social Landlord with the Welsh Government.

Accounting policies

Format of accounts

The Association is a public benefit entity. 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.

Home Buy Option

Where the Association received an allowance from The Welsh 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 whole of the loan together with allowances has been transferred to investments and matched Social Housing Grant retained.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets to write them down to their estimated residual value over their expected useful lives. The principal annual rates used for fixed assets are:

Fixtures and fittings	5-10 years
Computer Equipment	3 years

Turnover

Turnover comprises commission on the sale of properties by the Group, and the value of additional items specified by purchasers. 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.

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.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities including bank loans, are measured initially at fair value, net of transaction cost, and are measured subsequently at amortised cost using the effective interest method.

Work in progress

Work in progress is valued at the lower of cost or net realisable value on development costs incurred on build for sale properties.

Notes to the financial statements

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.

Fixed Asset Investment

Investments held at fixed assets are stated at cost.

Pension

The pension costs represent a proportion of Coastal Housing Association's costs which have been recharged to the Association. The accounting policy is shown within Coastal Housing Association's 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.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

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.

Joint Ventures

The Group accounts for the joint ventures under the gross equity method. The investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in share of net assets.

Going concern

After reviewing the Association's forecasts and projections, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the financial statements

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

1. Continuing activities

	2019	Operating surplus
Turnover £	costs £	£
Other social housing activities		
Commission on sales and property extras	543,916	(393,887)
	<u>543,916</u>	<u>82,929</u>
	<u>(393,887)</u>	<u>150,029</u>

	2018	Operating surplus
Turnover £	costs £	£
Other social housing activities		
Commission on sales and property extras	558,618	(439,426)
	<u>558,618</u>	<u>105,184</u>
	<u>(439,426)</u>	<u>119,192</u>

2. Operating surplus

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

	2019	2018
	£	£
Depreciation and Goodwill	-	-
Other non-audit services (including VAT)	1,820	2,808
Auditor's remuneration (including VAT)	3,200	3,090
	<u>3,200</u>	<u>3,090</u>

3. Share of deficit in Joint Ventures

	2019	2018
	£	£
Deficit on share in joint ventures	<u>53,000</u>	<u>32,000</u>

4. Interest receivable and other income

	2019	2018
	£	£
Interest receivable and similar income	<u>3,803</u>	<u>60,343</u>

Notes to the financial statements

5. Interest payable and similar charges

	2019 £	2018 £
Loans and bank overdrafts	<u>42,718</u>	<u>-</u>

6. Employees

This note relates to employees paid by Coastal Housing Group Limited, who work directly on behalf of the Association. The average monthly number of employees expressed as full time equivalents is:

	2019 No	2018 No
Employees	<u>5</u>	<u>5</u>

Employee costs:

	2019 £	2018 £
Wages and salaries	133,349	128,418
Social security costs	11,965	11,692
Other pension costs	9,604	8,320
	<u>154,918</u>	<u>148,430</u>

7. Board members and executives

No fees or expenses were paid to non executive board members during the year. No senior executives were paid in the year by the Association.

8. Tax on surplus of ordinary activities

The tax rate for the year is 19% (2018: 19%)

	2019 £	2018 £
Current tax		
UK corporation tax on surplus for year	18,262	32,542
	<u>18,262</u>	<u>32,542</u>
Deferred tax		
Net origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements

9. Tangible fixed assets

	Computers and office equipment £	Furniture, fixtures and fittings £	Total £
Cost			
At 1 April 2018	18,543	16,637	35,180
Additions	-	-	-
Disposals	(18,543)	(16,637)	(35,180)
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 1 April 2018	18,543	16,637	35,180
Charged in year	-	-	-
Eliminated on disposal	(18,543)	(16,637)	(35,180)
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>

10. Investment in Joint Ventures

Investment in joint ventures relates to a collaborative venture of housing associations in Wales. There are two joint venture companies, The Welsh Housing Partnership Limited and WHP2 Limited. Both companies are joint ventures between Coastal Housing Group (via the Association), Hendre Group, Pobl Group and Cymdeithas Tai Clwyd.

The investments represent equity shares held by the Association in the joint venture companies. Note 22 indicates the investment in each joint venture company and the Association's share in joint venture results.

The Welsh Assembly has issued SHG to help fund the venture.

11. Long term investments

	Investment £
Opening balance at 1 April 2018	266,376
Disposals	(27,501)
Closing balance at 31 March 2019	<u>238,875</u>

Notes to the financial statements

12. Debtors

	2019	2018
	£	£
VAT	10,163	8,916
	<u>10,163</u>	<u>8,916</u>

13. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade Creditors	106,501	102,739
Accruals	74,486	5,478
UK Corporation Tax	18,262	32,542
Amounts due to Coastal Housing Group	1,135,751	39,952
	<u>1,335,000</u>	<u>180,711</u>

14. Creditors: Amounts falling due after more than one year

	2019	2018
	£	£
Loan	325,000	-
Grant relating to joint ventures	9,816,453	8,289,754
Homebuy Grant	1,116,590	1,129,693
	<u>11,258,043</u>	<u>9,419,447</u>

15. Provision for liabilities and charges

	2019	2018
	£	£
Deferred tax	<u>-</u>	<u>-</u>

Notes to the financial statements

16. Called up Share Capital

	2019 £	2018 £
Shares of one pound each fully paid and issued	13	13

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.

17. Reserves

	2019 £	2018 £
Opening balance at 1 April 2018	1,318,324	1,203,331
Surplus for the year	39,852	114,993
Closing balance at 31 March 2019	<u>1,358,176</u>	<u>1,318,324</u>

18. Capital commitments

	2019 £	2018 £
Capital expenditure		
Contracted less certified	<u>4,441,341</u>	<u>-</u>

19. Parent Company

The ultimate parent undertaking of the Association during the year was Coastal Housing Group Limited.

20. Related party transactions

Pennant during the year sold properties on behalf of Coastal. This resulted in a payment of commission to Pennant of £457,813 (2018: £495,118).

Pennant has 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 4.0% per annum (variable) on this loan. Interest charged to Pennant Housing Association Limited during the year amounted to £3,342 (2018: £nil). Under this arrangement Pennant is also able to loan surplus funds to Coastal Housing Group Limited and interest is charged at 3.5% (variable) on this loan. Interest charged to Coastal Housing Group Limited during the year amounted to £nil (2018: £59,318).

Notes to the financial statements

21. 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 2018. The year end does not coincide with the Coastal Housing Group year end of 31 March 2019. The Group's share of the surplus of WHP from the 31 December 2018 period has been absorbed into their March 2019 year end via the gross equity method.

WHP2 was incorporated on 8 December 2016 and the latest financial statements have been prepared to 31 December 2018.

On 10 March 2017 WHP refinanced its loans, resulting in additional available funding. As a result, WHP's share capital was 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.

Coastal Housing Group's share of the joint ventures at 31 December 2018 was as follows:

	WHP December 2018 £'000	WHP2 December 2018 £'000	December 2018 £'000	December 2017 £'000
Turnover	1,129	182	1,311	1,255
Administrative expenses	(102)	(43)	(145)	(179)
Operating surplus	<u>1,027</u>	<u>139</u>	<u>1,166</u>	<u>1,076</u>
Surplus on sale of assets	5	-	5	-
Interest payable and similar charges	(1,059)	(154)	(1,213)	(1,092)
Other finance costs	-	-	-	-
Surplus on ordinary activities before taxation	<u>(27)</u>	<u>(15)</u>	<u>(42)</u>	<u>(16)</u>
Tax on surplus of ordinary activities	(11)	-	(11)	(16)
Surplus for the financial year	<u>(38)</u>	<u>(15)</u>	<u>(53)</u>	<u>(32)</u>
Fixed assets	33,035	5,535	38,570	38,557
Current assets	879	535	1,414	1,379
Creditors: falling due within one year	(547)	(59)	(606)	(525)
Creditors: falling due after more than one year	(27,619)	(4,071)	(31,690)	(31,672)
Shareholders' funds	<u>5,748</u>	<u>1,940</u>	<u>7,688</u>	<u>7,739</u>

Notes to the financial statements

21. Joint Ventures (continued)

Association share in joint ventures:	March 2019 £'000	March 2018 £'000
WHP		
WHP investment as at 31 December	4,891	8,880
Capital investment in WHP	-	-
Interest in WHP	857	893
WHP investment as at 31 March	<u>5,748</u>	<u>9,773</u>
Capital reduction in March 2017	-	(3,989)
Distributable reserve retained in WHP in March 2017	-	-
Purchase of properties	-	-
Total interest in WHP	<u>5,748</u>	<u>5,784</u>
WHP2		
WHP2 investment as at 31 December	1,890	1,890
Capital Investment in WHP2 March 2019	1,875	-
Interest in WHP2	50	65
Total interest in WHP2	<u>3,815</u>	<u>1,955</u>
Investment in Joint Ventures	<u>9,563</u>	<u>7,739</u>

22. Contingent liability

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 giving rise to a repayment of discount under Schedule 2 to the Housing Association Act 1985.