

# Coastal Housing Group Limited

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**Report and financial statements**  
**For the year ended 31 March 2019**



# Information

<b>Co-operative and Community Benefit Society number:</b>	30438R
<b>Welsh Government registration number:</b>	L146
<b>Registered office:</b>	3 <sup>rd</sup> Floor, 220 High Street, Swansea, SA1 1NW
<b>Board:</b>	<b>Michael Burr</b> (Chair) <b>Kirsty Ellis</b> <b>Patrick Hoare</b> (Appointed September 2018) <b>Jane Howells</b> (Appointed September 2018) <b>Alun Williams</b> (Chair of Finance & Development Committee) <b>Roger Williams</b> (Vice Chair)  <b>William Evans</b> (Resident) (Deceased November 2018) <b>Kay Howell</b> (Resigned September 2018) <b>Francis Jones</b> (Resigned September 2018) <b>Clive Owen BEM</b> (Resigned September 2018) <b>Amanda Protheroe</b> (Resigned July 2018) <b>Nazma Ali Rasood</b> (Resigned July 2018) <b>Lowri Kenny</b> (Appointed September 2018, Resigned May 2019) <b>Janet Thomas</b> (Resigned May 2018)
<b>Chief Executive and Secretary:</b>	<b>Debbie Green</b>
<b>Executive Directors:</b>	<b>Caroline Belasco</b> (Executive Director of HR & Corporate Services) <b>Gareth Davies</b> (Executive Director of Growth & New Business) <b>Serena Jones</b> (Executive Director of Operations) <b>Simon Jones</b> (Executive Director of Finance)
<b>Bankers:</b>	Barclays Bank PLC 262 Oxford Street, Swansea
<b>Solicitors:</b>	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  Howells Solicitors 4 Langdon Road, SA1 Swansea Waterfront  Smith Llewelyn Partnership 18 Princess Way, Swansea
<b>Auditors:</b>	Bevan Buckland LLP Langdon House, Langdon Road, SA1 Swansea Waterfront

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# Chairman's statement

Coastal Housing Group was formed by Swansea and Dewi Sant housing associations in 2008. We work to build new homes and manage existing homes in our operational area and to do so in a way that builds quality of life and opportunity for our residents and communities.

We are a substantial local employer and we also aim to use local firms in our work. As well as our rented housing we also have a significant portfolio of commercial property because of our commitment to regeneration. As a not for profit Group our surpluses are reinvested in new housing and other opportunities. We have increased our housing team and increased the range of maintenance services delivered through internal teams, among other things.

We believe that this approach will be more important than ever given the nation's housing crisis, the extension of Universal Credit, Government spending cuts and the impact of Brexit.

The Independent Review of Affordable Housing Supply reported its findings in April 2019 and we look forward to working with Welsh Government and other stakeholders to respond to the challenge.

The Welsh Government target to produce 20,000 new homes in Wales over the term of this government remains and in the year we built 80 new homes for rent, with a further 27 being acquired through our Welsh Housing Partnership joint venture with more to follow. This included completion of our sites at Alexandra Road and Baglan Stable Block among others. A further 112 homes were in development at the year end.

As well as rented housing we also have a strong track record of building housing for sale. In the financial year we completed and sold 22 homes at SA1 in Swansea which proved extremely popular. We are now on site at Pen y Fai in Bridgend where we will provide 20 homes. This site has been acquired and contracted by Pennant and we have secured development finance from Principality Building Society to help us to deliver the scheme.



Pupils from Ysgol Bae Baglan presenting art work for the Considerate Constructors Scheme hoarding competition

## Chairman's statement

Headline financial information for the Group is shown below.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	33,754	31,773
Operating surplus	8,725	8,918
Operating surplus %	25.8%	28.1%
Gearing %	55.6%	56.0%

The Board is pleased with the growth and financial performance of the Group. The operating surplus for 2019 is affected by the change in the way in which we have accounted for the Social Housing Pension Scheme (SHPS), referred to in note 25. This change also affects other members of SHPS and changes the way our share of the scheme's deficit is accounted for. It does not change financial contributions into the scheme. The Group continues to support active membership of SHPS while keeping costs and future financial risks under close review.

Our growing involvement in the Welsh Housing Partnership joint ventures also means that the charges related to properties leased to Coastal (reflecting the cost of finance in the joint ventures) are accounted for as an operating cost.

As reported in previous financial statements, the Group has borrowed £20million through Affordable Housing Finance, £13million of which was European Investment Bank funded at historically low rates. This meant that no new loan facilities were entered into by Coastal during the financial year. Coastal has renegotiated some financial covenants to support future growth aspirations.



A Coastal caretaker working with Hafod Primary School supporting sustainability and biodiversity

## Chairman's statement

The Board would like to thank the staff for their continued hard work and energy over the past year.

In November 2018, William "Bill" Evans sadly died. Bill was a resident of Coastal and had been a Board member since 2016. As a Board member he helped us to keep residents at the heart of our discussions and we will all miss him.

Last year the outgoing Chairman, Francis Jones, paid tribute to Clive Owen BEM and Kay Howell, who stood down from the Board of Coastal at the 2018 Annual General Meeting. Francis himself also stood down at the same meeting and I would like to take this opportunity to record the appreciation of myself and colleagues for the enormous contribution he has made in his time as a Board member and as Chairman of Coastal.

Coastal Housing Group exists to provide homes and services that allow residents to thrive and communities to prosper. I would like to thank our residents for their contributions to their communities and for helping us to shape our services.

**Michael Burr,**

**Chair of the Board**



Coastal staff at the recent Shelter Cymru 'People and Homes' conference

# Operating and financial review

## Group highlights, five-year summary

For the year ended 31 <sup>st</sup> March	2019	2018	2017	2016	2015
<b>Income and Expenditure (£'000)</b>					
Total turnover	33,754	31,773	30,407	29,023	27,483
Operating surplus	8,725	8,918	8,893	8,486	7,971
Surplus for the year	<u>3,767</u>	<u>3,649</u>	<u>3,124</u>	<u>3,483</u>	<u>3,808</u>
<b>Statement of financial position (£'000)</b>					
Housing properties, net of depreciation	<u>387,958</u>	<u>372,588</u>	<u>360,694</u>	<u>346,138</u>	<u>332,191</u>
	<u>387,958</u>	<u>372,588</u>	<u>360,694</u>	<u>346,138</u>	<u>332,191</u>
Investments	33,687	31,419	30,326	29,544	26,543
Homebuy grants and loans	3,235	3,519	3,849	4,013	4,206
Other fixed assets	<u>5,246</u>	<u>5,421</u>	<u>5,450</u>	<u>6,175</u>	<u>6,307</u>
Fixed assets	<u>430,126</u>	<u>412,947</u>	<u>400,319</u>	<u>385,870</u>	<u>369,247</u>
Long term debtors	4,184	1,161	1,246	1,335	1,528
Net current assets	9,375	23,899	17,029	7,159	4,071
Total assets less current liabilities	443,685	438,007	418,594	394,364	374,846
Loans (due in more than one year)	(170,930)	(174,387)	(164,447)	(148,438)	(137,960)
Social housing grants and other grants	(215,577)	(213,816)	(207,410)	(202,390)	(196,420)
Housing finance grant	(5,247)	(1,633)	(1,633)	(1,633)	(1,633)
Provision for liabilities and charges	(790)	(628)	(693)	(157)	(228)
Net assets before defined benefit pension liability	<u>51,141</u>	<u>47,543</u>	<u>44,411</u>	<u>41,746</u>	<u>38,605</u>
Defined benefit pension liability	(7,462)	(3,590)	(4,156)	(4,498)	(4,867)
Total Net Assets/Reserves	<u><u>43,679</u></u>	<u><u>43,953</u></u>	<u><u>40,255</u></u>	<u><u>37,248</u></u>	<u><u>33,738</u></u>
<b>Housing properties managed at year end:</b>					
Social housing	5,814	5,713	5,569	5,392	5,290
Operating surplus as % of turnover	25.8%	28.1%	29.2%	29.3%	29.1%
Surplus for year as % of income from lettings	30.3%	32.6%	34.1%	34.9%	34.0%
Rent losses (voids and bad debts as % of rent receivable)	2.5%	2.9%	3.3%	3.4%	3.0%
Rent arrears (gross arrears as % of rent receivable)	5.6%	4.6%	4.5%	4.3%	4.2%
Liquidity (current assets divided by current liabilities)	1.5	2.7	2.4	1.5	1.2
Gearing (total loans net of cash as % of capital grants and reserves)	55.6%	56.0%	60.1%	57.4%	55.8%
Gearing (total loans net of cash as % of cost of completed housing properties)	38.0%	39.1%	41.9%	40.8%	40.2%

# Operating and financial review

## Principal activities

The Group comprises Coastal Housing Group Limited ('the Association'), and its subsidiary undertaking Pennant Housing Association Limited ('Pennant', 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 Pennant 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 5,800 properties and has a significant development programme in the Swansea, Neath Port Talbot, Carmarthenshire and Bridgend local authority areas. During the financial year, 80 newly developed 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 group surplus for the year of £3.8m (2018: £3.7m). Income increased by £2m, which related to increases in rents and service charges.

We have continued both to invest in existing housing and to develop new housing, for both rent and sale. The Group has successfully delivered on its social housing grant commitments, which demonstrates the Welsh Government's confidence in our ability to deliver on both commitments and value.

Via Pennant, 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 Pennant continued its planned investment in WHP2, and as a result new rented homes were leased to the Association. More information is given in note 14.

Our cash position at the year end is very strong, due in particular to the drawing down of funding of £20m. The timing of this was driven by an external deadline to complete as some of the funding was from the European Investment Bank, via Affordable Housing Finance. The Group also has access to £16m of immediately available 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 Judgement, published in December 2018, confirmed a financial viability "Standard" on the basis that the Group meets viability requirements and has the financial capacity to deal with scenarios appropriately. This includes both new development activity and investment in the existing portfolio to continue to maintain our stock to the Welsh Housing Quality Standard.

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 residents to sustain their tenancies in the context of challenging welfare cuts. The latest review was of our approach to voids and lettings.

Note 25 describes the accounting for the Group's participation in the Social Housing Pension Scheme. The financial statements now reflect the Group's share of liabilities and therefore the liability is significantly increased from 2018. The Board has not changed the assumptions put forward by the scheme administrators, currently considering them to be prudent but reasonable. This will be reviewed each financial year.

# Operating and financial review

## 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 residents 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 residents 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 residents
- **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.

## 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,
- reinvest in our local economy,
- reduce financing costs of delivering new homes,
- make capital repayments on loans, and
- retain surpluses

# Operating and financial review

## Value for money methodology

### 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 the delivery of value for money:

- clarity of, and focus on, purpose
- lean systems thinking,
- knowing and doing the things that matter to residents
- engaged empowered staff and an entrepreneurial culture,
- a collaborative governance model,
- pro-active relationships with stakeholders,
- procurement,
- treasury management, and
- asset management

In a lean systems model, rather than manage people and budgets, we act on the system and system conditions as an integrated whole to achieve results (delivering what matters to residents) by managing the flow of work and eliminating waste. Therefore we do not look to measure budget savings in silos as this can simply drive costs elsewhere. We measure ourselves at an organisational level against the Community Housing Cymru indicators published in global accounts, and additional measures agreed by the Board. This was reported to the Board in September 2018 and the Board was satisfied with the Group's position and plans.

## Risks and uncertainties

Risks that may prevent the Group achieving its objectives are reviewed annually by the senior management team and Board as part of corporate planning. A strategic risk review took place in July 2019 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

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.

# Operating and financial review

## Top 5 ongoing risks

The results of the July 2019 risk review have not yet been finalised. The top five existing risks (measured in terms of potential likelihood and severity) are listed below:

1. **Welfare cuts and Universal Credit.** Universal Credit has been rolled out in our operational areas. There is a risk that residents impacted by delays and cuts will have reduced income and other financial pressures, and may not be able to pay their rent in full. Our increased staff resources may not fully mitigate this risk.
2. **Funding availability.** This is the risk that in future the cost or availability of funding may restrict our development capacity. Although the Group has access to significant funding, the environment and treasury portfolio need to be continually reviewed to ensure access to funding is preserved. We also need to ensure that our financial performance and business reputation continue to make us attractive to funders.
3. **Technology and data security.** Cybercrime and the wider need to manage data security is an increasing threat across all businesses. At the same time there is an increase in data held in cloud based services. The new GDPR legislation brings new obligations and harsher fines for non-compliance.
4. **Social Housing Pension Scheme.** The Social Housing Pension Scheme has a substantially increased deficit which may increase following the September 2017 valuation. The Group needs to ensure that long term cost risk is managed while also offering quality pensions as a responsible employer aiming to attract high quality staff.
5. **Managing agents.** The Group has a number of properties where residents are supported by managing agents. There is a risk that poor quality supported housing management by a provider could lead to harm to service users, and financial loss or reputational damage to the Group.

## Capital structure and treasury policy

At the year end the Group's borrowings amounted to £173.4 million (of which £3.7 million is due to be paid within the next year):

Maturity	2019 £m	2018 £m
Within one year	3.7	3.0
Between one year and two years	3.4	3.7
Between two and five years	13.0	12.0
After more than five years	153.3	157.4
	<u>173.4</u>	<u>176.1</u>

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 1.76% to 11.6% as compared with variable rates which had a range of 0.86% to 2.63%.

The five year summary shows that gearing (defined as loans less cash, as a percentage of capital grants and reserves) decreased to 55.6% at 31 March 2019. We have concluding the renegotiation of our gearing covenants from 70% to 75% to further increase our capacity. As part of our renegotiations some gearing covenants are now measured against the cost of completed housing properties, and so this measure is also shown in the five year summary. Our financial forecasts show gearing remaining well within our covenants over the life of the forecast.

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 & Development Committee each quarter. The Group was in compliance with its loan covenants at the balance sheet date and the Group expects to remain compliant for the foreseeable future.

## Operating and financial review

The Group has cash balances of £23.3million at 31 March 2019 (2018: £27.0 million) and the current (liquidity) ratio stands at 1.5 (2018: 2.7). 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.

### 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 £18 million during the next financial year to develop general housing for rent and for sale. We continue to invest in our stock and in the year we spent £3.2m million maintaining our homes to WHQS.

### 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 the Group for the year ended 31 March 2019.

## 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 the information page. 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 borrowings from financial institutions. The Group's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, with no use of standalone financial instruments. The Group considers its average cost of funds to be well managed.

# Report of the Board and strategic report

## 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.

## Credit risk

The Group's principal credit risk relates to resident arrears. This risk is managed primarily by an area based generic housing service and the close relationship our staff have with their residents. We also have a dedicated income team within the finance department. We are as well advanced as we can be with understanding our resident 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 2018 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 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
- 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

# Report of the Board and strategic report

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

## Code of Governance

The Group is committed to achieving the highest standards of Governance in everything it does. The Group's Governance and Services Regulatory Judgement, published by Welsh Government in December 2018, is "Standard" on the basis that the Group identifies and manages new and emerging risks appropriately. Our governance arrangements have been reviewed against the Community Housing Cymru Code of Governance, updated in June 2018.

The Finance & Development Committee provides scrutiny of financial and development related issues. The Governance, Remuneration & Audit Committee considers internal control and assesses effectiveness of internal and external audit. This committee also considers the pay award (making its recommendation to the Board), and matters around governance, staffing structure, staff pay progression and remuneration.

The Governance, Remuneration & Audit Committee was formed by the Board's decision to merge, for the time being, the previous Audit & Risk and Governance & Remuneration committees, given the size of the overall Board.

The Group is carrying out a review of its governance arrangements to ensure that the highest standards are maintained. The review is being facilitated by professional advisers and relevant stakeholders will be consulted and informed of changes as appropriate. One change already agreed is to update Coastal's Rules in line with the current Model Rules issued by Community Housing Cymru.

## 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.

# Report of the Board and strategic report

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.

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.

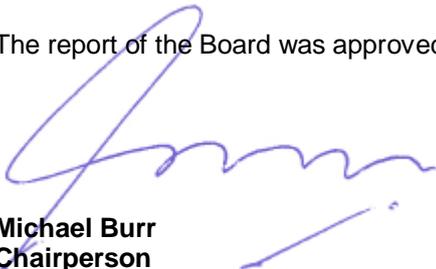
## Annual general meeting

The annual general meeting will be held on 26 September 2019 at 220 High Street.

## External auditors

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

The report of the Board was approved by the Board on 25 July 2019 and signed on its behalf by:



**Michael Burr**  
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 2019, 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 controls assurance on pages 11 to 13, 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 on the financial statements.



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

Date:

# 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 2019 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".

## **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 Group'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 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.

## Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board (set out on page 12), 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 Group'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 Group'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  
SA1 8QY

Date:

# Consolidated Statement of Comprehensive Income

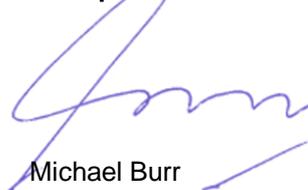
	Note	2019 £'000	2018 £'000
Turnover		35,065	33,028
<b>Less:</b> share of joint ventures turnover	<b>14</b>	<u>(1,311)</u>	<u>(1,255)</u>
<b>Group turnover:</b> continuing activities	<b>1</b>	33,754	31,773
Operating costs	<b>1</b>	<u>(25,029)</u>	<u>(22,855)</u>
<b>Group operating surplus: continuing activities</b>	<b>1</b>	<b>8,725</b>	<b>8,918</b>
Share of operating profit in joint ventures	<b>14</b>	<u>1,166</u>	<u>1,076</u>
<b>Operating surplus</b>		<b>9,891</b>	<b>9,994</b>
Surplus on sale of fixed assets – housing properties	<b>4</b>	1,513	766
<b>Interest receivable and other income</b>			
Group	<b>5</b>	155	64
Joint ventures	<b>14</b>	5	-
<b>Interest payable and similar charges</b>			
Group	<b>6</b>	(6,555)	(6,034)
Joint ventures	<b>14</b>	<u>(1,213)</u>	<u>(1,092)</u>
<b>Surplus on ordinary activities before taxation</b>		<b>3,796</b>	<b>3,698</b>
Tax on surplus on ordinary activities	<b>10</b>	(18)	(33)
Tax on surplus of joint ventures	<b>14</b>	(11)	(16)
<b>Surplus for year</b>		<u><b>3,767</b></u>	<u><b>3,649</b></u>
Initial recognition of multi-employer defined benefit scheme	<b>25</b>	(2,920)	-
Actuarial (loss)/gain in respect of pension schemes	<b>25</b>	(1,121)	49
<b>Total comprehensive income for year</b>		<u><b>(274)</b></u>	<u><b>3,698</b></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 25 July 2019 and were signed on its behalf by:

**Chairperson**



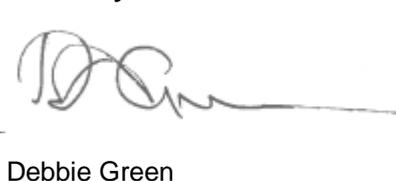
Michael Burr

**Board member**



Patrick Hoare

**Secretary**



Debbie Green

## Association Statement of Comprehensive Income

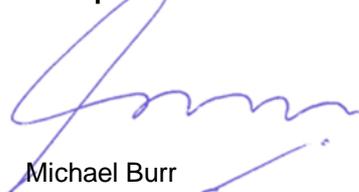
	Note	2019 £'000	2018 £'000
Turnover	1a	33,668	31,708
Operating costs	1a	<u>(24,833)</u>	<u>(22,415)</u>
<b>Operating surplus</b>	1a	<b>8,835</b>	<b>9,293</b>
Surplus on sale of fixed assets – housing properties	4	1,254	271
Interest receivable and other income	5	151	63
Interest payable and similar charges	6	<u>(6,513)</u>	<u>(6,093)</u>
<b>Surplus on ordinary activities before taxation</b>		<b>3,727</b>	<b>3,534</b>
Tax on surplus on ordinary activities		-	-
<b>Surplus for year</b>		<u><b>3,727</b></u>	<u><b>3,534</b></u>
Initial recognition of multi-employer defined benefit scheme	25	(2,920)	-
Actuarial (loss)/gain in respect of pension schemes	25	(1,121)	49
<b>Total comprehensive income for year</b>		<u><b>(314)</b></u>	<u><b>3,583</b></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 25 July 2019 and were signed on its behalf by:

**Chairperson**



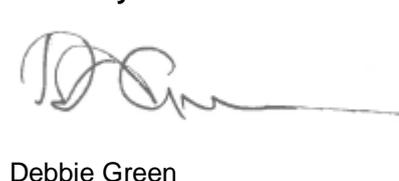
Michael Burr

**Board member**



Patrick Hoare

**Secretary**



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## Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £'000	Restricted reserves £'000	Total reserves £'000
At 1 April 2018	43,939	14	43,953
Surplus from statement of comprehensive income	(274)	-	(274)
<b>At 31 March 2019</b>	<u><b>43,665</b></u>	<u><b>14</b></u>	<u><b>43,679</b></u>

## Association Statement of Changes in Reserves

	Income and expenditure reserve £'000	Restricted reserves £'000	Total reserves £'000
At 1 April 2018	42,622	14	42,636
Surplus from statement of comprehensive income	(314)	-	(314)
<b>At 31 March 2019</b>	<u><b>42,308</b></u>	<u><b>14</b></u>	<u><b>42,322</b></u>

## Consolidated Statement of Financial Position

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Housing properties – gross	11	427,726	409,382
Depreciation	11	<u>(39,768)</u>	<u>(36,794)</u>
		387,958	372,588
Other tangible fixed assets	15	5,246	5,421
Investments	12	24,124	23,680
Investments in joint ventures	14	9,563	7,739
Homebuy loans	13	<u>3,235</u>	<u>3,519</u>
<b>Total fixed assets</b>		<b>430,126</b>	<b>412,947</b>
<b>Current assets</b>			
Debtors due within one year	17	1,680	4,320
Properties for sale	16	2,076	7,028
Cash at bank and in hand		<u>23,328</u>	<u>27,025</u>
		<u>27,084</u>	<u>38,373</u>
Debtors due after more than one year	17	4,184	1,161
Creditors: due within one year	20	(16,057)	(12,872)
Social housing grant due in one year	23	(1,652)	(1,602)
<b>Net current assets</b>		<b><u>9,375</u></b>	<b><u>23,899</u></b>
<b>Total assets less current liabilities</b>		<b><u>443,685</u></b>	<b><u>438,007</u></b>
Creditors: due in more than one year	21	(170,930)	(174,387)
Social housing grant due after more than one year	23	(201,369)	(198,778)
Other grants due after more than one year	18	(1,355)	(3,453)
Housing grant relating to joint ventures		(9,816)	(8,290)
Homebuy grants due after more than one year	13	(3,037)	(3,295)
Housing Finance Grant	19	(5,247)	(1,633)
Provisions for liabilities and charges	26	(790)	(628)
Defined benefit pension deficit funding liability	25	-	(3,590)
Defined benefit pension liability	25	(7,462)	-
<b>Net assets</b>		<b><u>43,679</u></b>	<b><u>43,953</u></b>
<b>Capital and reserves</b>			
Restricted reserve		14	14
Revenue reserve		43,665	43,939
<b>Total capital and reserves</b>		<b><u>43,679</u></b>	<b><u>43,953</u></b>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 July 2019 and were signed on its behalf by:

**Chairperson**



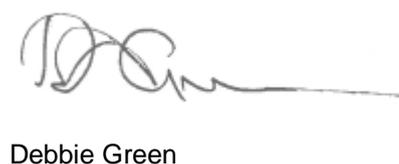
Michael Burr

**Board member**



Patrick Hoare

**Secretary**



Debbie Green

# Association Statement of Financial Position

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Housing properties – gross	11	427,726	409,382
Depreciation	11	<u>(39,768)</u>	<u>(36,794)</u>
		387,958	372,588
Other tangible fixed assets	15	5,246	5,421
Investments	12	23,885	23,414
Homebuy loans	13	<u>2,118</u>	<u>2,389</u>
<b>Total fixed assets</b>		<b>419,207</b>	<b>403,812</b>
<b>Current assets</b>			
Debtors due within one year	17	2,807	4,350
Properties for sale	16	222	6,687
Cash at bank and in hand		<u>22,159</u>	<u>25,593</u>
		25,188	36,630
Debtors due after more than one year	17	4,184	1,161
Creditors: due within one year	20	(15,857)	(12,731)
Social housing grant due in one year	23	(1,652)	(1,602)
<b>Net current assets</b>		<b><u>7,679</u></b>	<b><u>22,297</u></b>
<b>Total assets less current liabilities</b>		<b>431,070</b>	<b>427,270</b>
Creditors: due in more than one year	21	(170,605)	(174,387)
Social housing grant due after more than one year	23	(201,369)	(198,778)
Other grants due after more than one year	18	(1,355)	(3,453)
Homebuy grants due after more than one year	13	(1,920)	(2,165)
Housing Finance Grant	19	(5,247)	(1,633)
Provisions for liabilities and charges	26	(790)	(628)
Defined benefit pension deficit funding liability	25	-	(3,590)
Defined benefit pension liability	25	(7,462)	-
<b>Net assets</b>		<b><u>42,322</u></b>	<b><u>42,636</u></b>
<b>Capital and reserves</b>			
Restricted reserve		14	14
Revenue reserve		42,308	42,622
<b>Total capital and reserves</b>		<b><u>42,322</u></b>	<b><u>42,636</u></b>

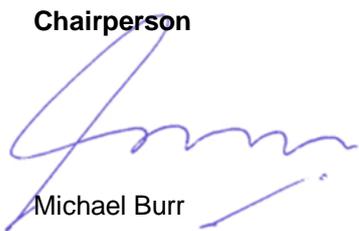
The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 July 2019 and were signed on its behalf by:

**Chairperson**

**Board member**

**Secretary**



Michael Burr



Patrick Hoare



Debbie Green

## Consolidated Statement of Cash Flow

	Note	2019 £'000	2018 £'000
<b>Net cash inflow from operating activities</b>	<b>29</b>	<u>15,978</u>	<u>10,375</u>
<b>Cash flow from financing activities</b>			
Loan drawdown		325	20,600
Interest payable		(6,391)	(5,984)
Loan repayments		(3,001)	(2,406)
<b>Cash flow from investing activities</b>			
Purchase and construction of housing properties		(17,822)	(15,578)
Component replacements		(1,255)	(544)
Proceeds from sale of other fixed assets		2,165	2,034
Purchase and construction of fixed asset investments		(309)	(729)
New capital expenditure		(670)	(418)
Other grants received		1,516	1,505
Grant from Welsh Assembly for joint ventures		1,526	-
Social housing grant received		4,215	6,770
Homebuy grant received		26	48
<b>Net change in cash and cash equivalents</b>		<u>(3,697)</u>	<u>15,673</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>27,025</u>	<u>11,352</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>23,328</u></u>	<u><u>27,025</u></u>

## Association Statement of Cash Flow

	Note	2019 £'000	2018 £'000
<b>Net cash generated from operating activities</b>	<b>29</b>	<u>18,335</u>	<u>10,363</u>
<b>Cash flow from financing activities</b>			
Loan drawdowns		-	20,600
Interest payable		(6,348)	(6,043)
Loan repayments		(3,001)	(2,406)
<b>Cash flow from investing activities</b>			
Purchase and construction of housing properties		(17,822)	(15,604)
Component replacements		(1,255)	(544)
Proceeds from sale of other fixed assets		1,906	1,539
Purchase and construction of fixed asset investments		(336)	(763)
New capital expenditure		(670)	(418)
Other grants received		1,516	1,505
Social housing grant received		4,215	6,770
Homebuy grant received		26	48
<b>Net change in cash and cash equivalents</b>		<u>(3,434)</u>	<u>15,047</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>25,593</u>	<u>10,546</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>22,159</u></u>	<u><u>25,593</u></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 Registered 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 administrated 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 administrated multi-employer funds.

The cost of these benefits and the present value of the obligation depends on a number of factors including life expectancy, salary increases 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. Variations from in these assumptions could significantly impact the liability.

# 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.

## Accommodation 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

## Investment 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 Group 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 held in connection with regeneration activity. 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 accounts for joint ventures 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 assets.

## 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	2019		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>2</b>	30,407	(24,103)	6,304
<b>Other social housing activities</b>				
Development costs not capitalised		-	(34)	(34)
Management services		1,693	(86)	1,607
<b>Non social housing activities</b>				
Pennant Homes		86	(195)	(109)
Other		1,568	(611)	957
		<u>33,754</u>	<u>(25,029)</u>	<u>8,725</u>

	Note	2018		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>2</b>	28,751	(21,866)	6,885
<b>Other social housing activities</b>				
Development costs not capitalised		-	(181)	(181)
Management services		1,620	(84)	1,536
<b>Non social housing activities</b>				
Pennant Homes		64	(440)	(376)
Other		1,338	(284)	1,054
		<u>31,773</u>	<u>(22,855)</u>	<u>8,918</u>

## Notes to the financial statements

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

#### Association – continuing activities

	Note	2019		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	2	30,407	(24,103)	6,304
<b>Other social housing activities</b>				
Development costs not capitalised		-	(34)	(34)
Management services		1,693	(86)	1,607
<b>Non social housing activities</b>				
Other		1,568	(610)	958
		<u>33,668</u>	<u>(24,833)</u>	<u>8,835</u>

	Note	2018		
		Turnover £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	2	28,751	(21,866)	6,885
<b>Other social housing activities</b>				
Development costs not capitalised		-	(181)	(181)
Management services		1,620	(84)	1,536
<b>Non social housing activities</b>				
Other		1,337	(284)	1,053
		<u>31,708</u>	<u>(22,415)</u>	<u>9,293</u>

## Notes to the financial statements

### 2. Particulars of income and expenditure from social housing lettings

#### Group and Association

	2019	2018		
	General needs and sheltered housing £'000	Other social lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	22,757	2,131	24,888	23,464
Rent loss due to voids	(296)	(30)	(326)	(469)
	<u>22,461</u>	<u>2,101</u>	<u>24,562</u>	<u>22,995</u>
Service charge income	3,871	-	3,871	3,859
Other revenue grants	327	-	327	285
Amortisation of grants	1,647	-	1,647	1,612
Turnover from social lettings	<u>28,306</u>	<u>2,101</u>	<u>30,407</u>	<u>28,751</u>
Overhead costs	(6,574)	(1,511)	(8,085)	(6,526)
Management	(1,698)	-	(1,698)	(2,080)
Services	(3,508)	-	(3,508)	(3,106)
Routine maintenance	(4,120)	(98)	(4,218)	(4,053)
Major repairs expenditure	(2,971)	-	(2,971)	(2,717)
Depreciation of housing properties	(3,233)	-	(3,233)	(3,060)
Bad debts	(359)	(31)	(390)	(324)
Operating costs on social housing lettings	<u>(22,463)</u>	<u>(1,640)</u>	<u>(24,103)</u>	<u>(21,866)</u>
Operating surplus on social housing lettings	<u>5,843</u>	<u>461</u>	<u>6,304</u>	<u>6,885</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	
	2019 No	2018 No	2019 No	2018 No
<b>Social housing</b>				
General	5,398	5,324	5,398	5,324
Property ownership in joint ventures	388	361	388	361
Shared ownership	28	28	28	28
Total managed	<u>5,814</u>	<u>5,713</u>	<u>5,814</u>	<u>5,713</u>

### 4. Operating surplus

The operating surplus is arrived at after charging:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus on disposal of fixed assets	1,513	766	1,254	271
Other non-audit services (including VAT)	9	10	7	8
Auditor's remuneration (including VAT)	<u>26</u>	<u>25</u>	<u>23</u>	<u>22</u>

### 5. Interest receivable and other income

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and similar income	<u>155</u>	<u>64</u>	<u>151</u>	<u>63</u>

### 6. Interest payable and similar charges

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans and bank overdrafts	6,747	6,439	6,705	6,498
Interest payable capitalised on housing properties under construction	(356)	(455)	(356)	(455)
Unwinding of discount factor on pension liability	<u>164</u>	<u>50</u>	<u>164</u>	<u>50</u>
	<u>6,555</u>	<u>6,034</u>	<u>6,513</u>	<u>6,093</u>

## Notes to the financial statements

### 7. Employees

Average monthly number of employees expressed as full time equivalents:

	Group		Association	
	2019 No	2018 No	2019 No	2018 No
Corporate support	33	34	33	34
Development and Pennant Housing	17	18	12	13
	182	185	182	185
	<u>232</u>	<u>237</u>	<u>227</u>	<u>232</u>

### 8. Employee costs:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	6,780	6,328	6,646	6,199
Social security costs	651	558	639	546
Other pension costs	844	780	834	771
Apprentice levy	19	16	19	16
	<u>8,294</u>	<u>7,682</u>	<u>8,138</u>	<u>7,532</u>

### 9. Board members and executives

	Basic Salary £'000	Benefits in kind £'000	2019 Pension Contributions £'000	Total £'000	2018 Total £'000
Aggregate emoluments	<u>421</u>	<u>-</u>	<u>74</u>	<u>495</u>	<u>476</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, salary sacrifice arrangements, and social security costs were £123,600 (2018: £120,000).

Pension costs are shown as contributions paid on the senior executive's behalf. The number of senior executives accruing retirement benefits is 5 (2018:5). During the year four directors have opted to pay their pension contributions by salary sacrifice, which lowers the gross salary and increases the employer contributions respectively. This option is available to all employees.

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

	2019	2018
£80,000 - £89,999	1	3
£90,000 - £99,999	3	1
£120,000 - £129,999	-	1
£139,999 - £149,999	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 £5,206 (2018: £6,300).

## Notes to the financial statements

### 10. Tax on surplus on ordinary activities

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current tax reconciliation</b>				
Taxable surpluses on ordinary activities before tax	96	171	-	-
<b>Theoretical tax at UK corporation tax rate</b>				
Group – (19% (2018:19%))	18	33	-	-
Depreciation	-	-	-	-
Non-taxable income	-	-	-	-
Losses utilised in the year	-	-	-	-
<b>Current tax charge</b>	<b>18</b>	<b>33</b>	<b>-</b>	<b>-</b>

### 11. Tangible fixed assets – properties (Group and Association)

	Social Housing Properties held for letting £'000	Housing Properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total reserves £'000
<b>Cost</b>				
At 1 April 2018	381,731	21,174	6,477	409,382
Additions	1,505	17,605	-	19,110
Schemes completed in year	12,558	(12,558)	-	-
Disposals	(664)	-	(102)	(766)
At 31 March 2019	<b>395,130</b>	<b>26,221</b>	<b>6,375</b>	<b>427,726</b>
<b>Depreciation</b>				
At 1 April 2018	(36,373)	-	(421)	(36,794)
Charged in year	(3,045)	-	(43)	(3,088)
Eliminated on disposal	103	-	11	114
At 31 March 2019	<b>(39,315)</b>	<b>-</b>	<b>(453)</b>	<b>(39,768)</b>
<b>Net book value</b>				
At 31 March 2019	<b>355,815</b>	<b>26,221</b>	<b>5,922</b>	<b>387,958</b>
At 31 March 2018	<b>345,358</b>	<b>21,174</b>	<b>6,056</b>	<b>372,588</b>
<b>Additions to completed properties held for letting</b>			<b>2019 £000</b>	<b>2018 £000</b>
Replacement of components			1,255	544
Purchase of existing properties			96	-
Developments			154	636
Total additions			<b>1,505</b>	<b>1,180</b>

## Notes to the financial statements

### 12. Fixed asset investments

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Commercial properties</b>	<u>22,119</u>	<u>21,589</u>	<u>22,119</u>	<u>21,589</u>
<b>Residential properties</b>				
Shared equity loans	2,005	2,091	1,766	1,825
	<u>24,124</u>	<u>23,680</u>	<u>23,885</u>	<u>23,414</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 2019.

### 13. Homebuy

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Homebuy loans	<u>3,235</u>	<u>3,519</u>	<u>2,118</u>	<u>2,389</u>
Homebuy grants	<u>3,037</u>	<u>3,295</u>	<u>1,920</u>	<u>2,165</u>

The homebuy loans represent secured interest free loans to freeholders on properties acquired under the 'Home Buy Option Initiative' which has been part funded by Social Housing Grant.

At 31 March 2019 the Group had 132 (2018: 141) homebuy loans, and the Association had 55 (2018: 63) homebuy loans.

## 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 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:

	<b>WHP</b> <b>December</b> <b>2018</b> <b>£'000</b>	<b>WHP2</b> <b>December</b> <b>2018</b> <b>£'000</b>	<b>December</b> <b>2018</b> <b>£'000</b>	<b>December</b> <b>2017</b> <b>£'000</b>
<b>Turnover</b>	1,129	182	1,311	1,255
Administrative expenses	(102)	(43)	(145)	(179)
<b>Operating surplus</b>	<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	-	-	-	-
<b>Surplus on ordinary activities before taxation</b>	<u>(27)</u>	<u>(15)</u>	<u>(42)</u>	<u>(16)</u>
Tax on surplus of ordinary activities	(11)	-	(11)	(16)
<b>Surplus for the financial year</b>	<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)
<b>Shareholders' funds</b>	<u>5,748</u>	<u>1,940</u>	<u>7,688</u>	<u>7,739</u>

## Notes to the financial statements

### 14. Joint Ventures (continued)

#### Association share in joint ventures:

	<b>March 2019 £'000</b>	<b>March 2018 £'000</b>
<b>WHP</b>		
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	-	-
<b>Total interest in WHP</b>	<u>5,748</u>	<u>5,784</u>
<b>WHP2</b>		
WHP2 investment as at 31 December	1,890	1,890
Capital Investment in WHP2 March 2019	1,875	-
Interest in WHP2	50	65
<b>Total interest in WHP2</b>	<u>3,815</u>	<u>1,955</u>
<b>Investment in Joint Ventures</b>	<u><b>9,563</b></u>	<u><b>7,739</b></u>

## Notes to the financial statements

### 15. Tangible fixed assets – other

<b>Group</b>	<b>Freehold offices £'000</b>	<b>Computers and office equipment £'000</b>	<b>Furniture, Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 April 2018	4,088	1,126	4,530	2	9,746
Additions	13	111	546	-	670
Reclassification from Investment Properties	-	-	366	-	366
Reclassification to Investment Properties	(501)	-	-	-	(501)
Disposals	-	(18)	(17)	-	(35)
At 31 March 2019	<u>3,600</u>	<u>1,219</u>	<u>5,425</u>	<u>2</u>	<u>10,246</u>
<b>Depreciation</b>					
At 1 April 2018	(352)	(877)	(3,094)	(2)	(4,325)
Charged in year	(110)	(141)	(459)	-	(710)
Eliminated on disposal	-	18	17	-	35
At 31 March 2019	<u>(462)</u>	<u>(1,000)</u>	<u>(3,536)</u>	<u>(2)</u>	<u>(5,000)</u>
<b>Net book value</b>					
At 31 March 2019	<u>3,138</u>	<u>219</u>	<u>1,889</u>	<u>-</u>	<u>5,246</u>
At 31 March 2018	<u>3,736</u>	<u>249</u>	<u>1,436</u>	<u>-</u>	<u>5,421</u>
<b>Association</b>					
	<b>Freehold offices £'000</b>	<b>Computers and office equipment £'000</b>	<b>Furniture, Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 April 2018	4,088	1,108	4,513	2	9,711
Additions	13	111	546	-	670
Transfer	(501)	-	366	-	(135)
Disposals	-	-	-	-	-
At 31 March 2019	<u>3,600</u>	<u>1,219</u>	<u>5,425</u>	<u>2</u>	<u>10,246</u>
<b>Depreciation</b>					
At 1 April 2018	(352)	(859)	(3,077)	(2)	(4,290)
Charged in year	(110)	(141)	(459)	-	(710)
Eliminated on disposal	-	-	-	-	-
At 31 March 2019	<u>(462)</u>	<u>(1,000)</u>	<u>(3,536)</u>	<u>(2)</u>	<u>(5,000)</u>
<b>Net book value</b>					
At 31 March 2019	<u>3,138</u>	<u>219</u>	<u>1,889</u>	<u>-</u>	<u>5,246</u>
At 31 March 2018	<u>3,736</u>	<u>249</u>	<u>1,436</u>	<u>-</u>	<u>5,421</u>

## Notes to the financial statements

### 16. Properties for sale

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Properties for sale	<u>2,076</u>	<u>7,028</u>	<u>222</u>	<u>6,687</u>

### 17. Debtors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Due within one year</b>				
Rent and service charge receivable	1,610	1,261	1,610	1,261
Less: provision for bad and doubtful debts	<u>(1,111)</u>	<u>(696)</u>	<u>(1,111)</u>	<u>(696)</u>
	499	565	499	565
Accrued income	60	2,610	60	2,610
Other debtors	551	118	1,678	148
Prepayments and accrued income	570	1,027	570	1,027
	<u>1,680</u>	<u>4,320</u>	<u>2,807</u>	<u>4,350</u>

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Due in more than one year</b>				
Housing finance grant	4,184	1,161	4,184	1,161
	<u>4,184</u>	<u>1,161</u>	<u>4,184</u>	<u>1,161</u>

### 18. Other Government Grants

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current investment SHG	-	2,098	-	2,098
Commercial grants	1,355	1,355	1,355	1,355
	<u>1,355</u>	<u>3,453</u>	<u>1,355</u>	<u>3,453</u>

### 19. Housing Finance Grants

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Housing finance grant	5,247	1,633	5,247	1,633
	<u>5,247</u>	<u>1,633</u>	<u>5,247</u>	<u>1,633</u>

## Notes to the financial statements

### 20. Creditors: amounts falling due within one year

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt (note 22)	3,745	3,003	3,745	3,003
Rent and service charges received in advance	467	446	467	446
Recycled capital grant fund	4,192	3,583	4,192	3,583
Other taxation and social security	344	303	326	303
Other creditors	3,375	786	3,375	753
Accruals and deferred income	2,215	3,070	2,140	3,064
Capital expenditure on housing property	1,719	1,681	1,612	1,579
	<u>16,057</u>	<u>12,872</u>	<u>15,857</u>	<u>12,731</u>

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

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred Income	1,226	1,265	1,226	1,265
Debt (note 22)	169,704	173,122	169,379	173,122
	<u>170,930</u>	<u>174,387</u>	<u>170,605</u>	<u>174,387</u>

### 22. Debt analysis

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

Terms of repayment	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	3,745	3,003	3,745	3,003
Between one and two years	3,419	3,745	3,419	3,745
Between two and five years	13,053	11,964	13,053	11,964
More than five years	153,232	157,413	152,907	157,413
	<u>173,449</u>	<u>176,125</u>	<u>173,124</u>	<u>176,125</u>

### Security

The loans with banks, building societies and capital markets are secured by fixed charges on individual properties.

### Terms of repayment and interest rates

Rates of interest during the year range from 0.964% to 11.6%. The weighted average rate of interest for 2019 was 3.75% (2018: 3.59%). As at 31 March 2019, 70% (2018: 67%) of loans bore interest at fixed rates and 30% (2018: 33%) at variable rates.

## Notes to the financial statements

### 23. Social housing grant

	Social Housing Properties held for letting £'000	Housing properties for letting under construction £'000	Completed Share Ownership Housing properties £'000	Total reserves £'000
<b>Cost</b>				
At 1 April 2018	(206,069)	(12,432)	(1,501)	(220,002)
Additions	(55)	(5,434)	-	(5,489)
Schemes completed in year	(4,840)	4,840	-	-
Transferred to investments/other assets	(33)	870	-	837
Disposals	387	-	71	458
At 31 March 2019	<u>(210,610)</u>	<u>(12,156)</u>	<u>(1,430)</u>	<u>(224,196)</u>
<b>Amortisation</b>				
At 1 April 2018	21,420	-	148	21,568
Charged in year	1,612	6	13	1,631
Schemes completed in year	6	(6)	-	-
Eliminated on disposal	(64)	-	(9)	(73)
At 31 March 2019	<u>22,974</u>	<u>-</u>	<u>152</u>	<u>23,126</u>
<b>Other grants</b>				
At 1 April 2018	(1,947)	(160)	-	(2,107)
Additions	-	(21)	-	(21)
Schemes completed in year	(160)	160	-	-
Disposals	-	-	-	-
At 31 March 2019	<u>(2,107)</u>	<u>(21)</u>	<u>-</u>	<u>(2,128)</u>
<b>Amortisation</b>				
At 1 April 2018	161	-	-	161
Charged in year	16	-	-	16
Eliminated on disposal	-	-	-	-
At 31 March 2019	<u>177</u>	<u>-</u>	<u>-</u>	<u>177</u>
<b>Net Creditor</b>				
At 31 March 2019	<u>(189,566)</u>	<u>(12,177)</u>	<u>(1,278)</u>	<u>(203,021)</u>
At 31 March 2018	<u>(186,435)</u>	<u>(12,592)</u>	<u>(1,353)</u>	<u>(200,380)</u>

## Notes to the financial statements

### 23. Social Housing Grant (continued)

#### Terms of repayment

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	1,652	1,602	1,652	1,602
Between one and two years	1,652	1,602	1,652	1,602
Between two and five years	4,806	4,806	4,806	4,806
More than five years	194,911	192,370	194,911	192,370
	<u>203,021</u>	<u>200,380</u>	<u>203,021</u>	<u>200,380</u>

### 24. Obligations under operating leases

	Land and Buildings		Other	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	1,679	1,405	237	234
Between one and two years	1,679	1,405	152	179
Between two and five years	5,037	4,215	103	116
More than five years	13,136	13,806	-	-
	<u>21,531</u>	<u>20,831</u>	<u>492</u>	<u>529</u>

## Notes to the financial statements

### 25. Social Housing Pension Scheme (Group and Association)

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates. Coastal Housing Group agreed the following deficit contributions:

From 1 <sup>st</sup> April 2019 to 30 <sup>th</sup> September 2026	£717,553 per annum (increasing by 2% per annum)
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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 structure still open to new members until 30 June 2019 is based on a final salary with a 1/80th accrual rate. From 1 July 2019 the Group has also made CARE with a 1/80th accrual rate available to new members.

During the accounting period the Group paid contributions at the rate of 7.3% in respect of the final salary 1/60th accrual rate structure, 7.3% in respect of the CARE 1/60th accrual rate structure, 5.4% in respect of the final salary 1/80th accrual rate structure, 11% and 5% in respect of the defined contribution scheme. As at the statement of financial position date there were 82 (2018: 88) active members of the defined benefit schemes and 143 (2018: 122) active members of the defined contribution scheme.

From April 2016 the group introduced a salary sacrifice arrangement for employees to pay their pension contributions where the employees can sacrifice their salary in exchange for pension contributions. The amount of salary sacrificed ranges from 2% to 13.7% of the employee's salary depending on which pension scheme they are a member of.

During the year the association made payments of £592,000 (2018: £570,000) to the Social Housing Pension Scheme for the recovery plan of the past service deficit.

## Notes to the financial statements

### 25. Social Housing Pension Scheme (Group and Association) (continued)

#### Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	31 March 2019 £'000	31 March 2018 £'000
Fair value of plan assets	21,729	20,712
Present value of defined benefit obligation (Deficit) in plan	29,191 (7,462)	27,222 (6,510)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	<u>(7,462)</u>	<u>(6,510)</u>

#### Recognition of the impact of the asset ceiling

	31 March 2019 £'000
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

#### Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2019 £'000
Defined benefit obligation at start of period	27,222
Current service cost	757
Expenses	17
Interest expense	700
Contributions by plan participants	18
Actuarial losses (gains) due to scheme experience	(384)
Actuarial losses (gains) due to changes in demographic assumptions	79
Actuarial losses (gains) due to changes in financial assumptions	2,099
Benefits paid and expenses	(1,317)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	<u>29,191</u>

## Notes to the financial statements

### 25. Social Housing Pension Scheme (Group and Association) (continued)

#### Reconciliation of opening and closing balances of the fair value of plan assets

	<b>31 March 2019 £'000</b>
Fair value of plan assets at start of period	20,712
Interest income	536
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	673
Contributions by the employer	1,107
Contributions by plan participants	18
Benefits paid and expenses	(1,317)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	<u>21,729</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,209,000.

#### Defined benefit costs recognised in statement of comprehensive income (SOCl)

	<b>Period 31 March 2018 to 31 March 2019 £'000</b>
Current service cost	757
Expenses	17
Net interest expense	164
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	<u>938</u>

#### Defined benefit costs recognised in other comprehensive income

	<b>31 March 2019 £'000</b>
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	673
Experience gains and losses arising on the plan liabilities - gain (loss)	384
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(79)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(2,099)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	<u>(1,121)</u>
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	<u>(1,121)</u>

## Notes to the financial statements

### 25. Social Housing Pension Scheme (Group and Association) (continued)

#### Assets

	31 March 2019 £'000	31 March 2018 £'000
Absolute Return	1,880	2,530
Alternative Risk Premia	1,253	786
Corporate Bond Fund	1,014	851
Credit Relative Value	398	-
Distressed Opportunities	395	200
Emerging Markets Debt	750	835
Fund of Hedge Funds	98	682
Global Equity	3,656	4,091
Infrastructure	1,139	531
Insurance-Linked Securities	623	544
Liability Driven Investment	7,946	7,546
Long Lease Property	320	-
Net Current Assets	42	19
Over 15 Year Gilts	-	-
Private Debt	292	184
Property	489	953
Risk Sharing	656	192
Secured Income	778	768
Total assets	<u>21,729</u>	<u>20,712</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

#### Key assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.36	2.60
Inflation (RPI)	3.24	3.14
Inflation (CPI)	2.24	2.14
Salary Growth	3.24	3.14
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance
		<b>Life expectancy at age 65 (Years)</b>
Male retiring in 2019		21.8
Female retiring in 2019		23.5
Male retiring in 2039		23.2
Female retiring in 2039		24.7

## Notes to the financial statements

### 25. Social Housing Pension Scheme (Group and Association) (continued)

#### Defined benefit liability reconciliation

Group and association	£'000
Defined benefit deficit funding liability 1 April 2018	3,590
Removal of defined benefit deficit funding liability	(3,590)
Revised defined benefit deficit funding liability 1 April 2018	-
Introduction of defined benefit liability at 1 April 2018	6,510
<b>Adjustment to statement of comprehensive income</b>	
Introduction of defined benefit liability at 1 April 2018	6,510
Removal of defined benefit deficit funding liability	(3,590)
Adjustment at 1 April 2018	<u>2,920</u>

### 26. Provisions for liabilities and charges

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Restructuring provision	115	128	115	128
Provision for upgrades to existing housing	675	500	675	500
	<u>790</u>	<u>628</u>	<u>790</u>	<u>628</u>

### 27. Share Capital

	2019 £	2018 £
Shares of one pound each fully paid and issued	<u>41</u>	<u>77</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.

### 28. 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.

## Notes to the financial statements

### 29. Net cash flow from operating activities

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus for the year	8,725	8,918	8,835	9,293
<b>Adjustments for non-cash items;</b>				
Depreciation of tangible fixed assets	3,798	3,422	3,798	3,422
Amortisation of bond premium	(39)	(54)	(39)	(54)
Amortisation of intangible assets	(1,574)	(1,591)	(1,574)	(1,591)
<b>Working capital movements</b>				
Decrease/(Increase) in Properties for sale and WIP	4,956	(523)	6,465	(182)
(Increase) in WHP Investment	(1,824)	(538)	-	-
(Increase) in Trade and Other Debtors	(383)	(32)	(1,480)	(66)
Increase in Trade and Other Creditors	2,406	1,406	2,350	110
Increase/(Decrease) in Provisions	162	(65)	162	(65)
Increase/(Decrease) in Pension Provision	952	(566)	952	(566)
Re-measurement of pension liability	(1,121)	49	(1,121)	49
Share of operating (deficit) in joint ventures	(53)	(32)	-	-
Taxation payable	(18)	(33)	-	-
Interest payable	(164)	(50)	(164)	(50)
Interest receivable	155	64	151	63
<b>Net cash generated from operating activities</b>	<b>15,978</b>	<b>10,375</b>	<b>18,335</b>	<b>10,363</b>

### 30. Capital commitments

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Capital expenditure</b>				
Contracted less certified	31,614	18,042	27,173	18,042
Expenditure authorised by the Board, but not contracted	19,105	32,667	19,105	27,502
	<b>50,719</b>	<b>50,709</b>	<b>46,278</b>	<b>45,544</b>

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.

### 31. Related party transactions

The following Board Members were also residents during the year:

William Evans (Deceased November 2018)  
Nazma Ali Rasood (Resigned July 2018)

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

During the year Coastal made lease payments to the joint venture companies for properties purchased by the joint ventures and leased to the association. Charges in the year from WHP were £1,280,000 (2018: £1,087,000) and from WHP2 were £231,000 (2018: £217,000).

## Notes to the financial statements

### 31. Related party transactions (continued)

Coastal has a loan agreement with Pennant Housing Association Limited in that a maximum borrowing of £5m can be given 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 during the year amounted to £3,342 (2018: £nil). Under this arrangement Pennant is also able to loan surplus funds to Coastal and interest is charged at 3.5% (variable) on this loan. Interest charged to Coastal during the year amounted to £nil (2018: £59,318).

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

### 32. Contingent assets/liabilities

The Group and Association had no contingent assets or contingent liabilities at 31 March 2019 (2018: 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;
- Disposal giving rise to a repayment of discount under Schedule 2 to the Housing Association Act 1985.

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 2017 was £27,601,690. At the date of approval of these financial statements no update to this position was available. As events which could crystallise the debt are unlikely to arise in the foreseeable future, no specific provision is deemed necessary.