

Alderney Housing Association Limited

Annual Report and Financial Statements

For the year ended

31 December 2022

Registration No. 1789

Alderney Housing Association Limited

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Alderney Housing Association Limited

COMPANY INFORMATION

Directors

Mr D Hughes
Mr C Hill
Ms P Dixon
Mrs S Kelly
Mrs J Newark

Company Secretary

Mark Bristow

Registered Office

5 Martyn House
Queen Elizabeth II Street
Alderney
GY9 3TB

Independent Auditor

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

Bankers

NatWest International
P O Box 55
35 High Street
St Peter Port
Guernsey
GY1 4BE

Alderney Housing Association Limited

REPORT OF THE DIRECTORS

The directors present herewith the audited financial statements for the year ended 31 December 2022.

Directors' Responsibilities

The directors' responsibilities are set out on page 3.

Principal Activity

The principal activity of Alderney Housing Association Limited (the "Company") is to provide, manage and maintain high quality residential housing at affordable rents to persons considered to be in need of such accommodation.

Results and Dividends

The Statement of Income and Retained Surplus for the year is set out on page 7. The Company is a charitable company and as such is prohibited from making any form of distributions to members.

Directors

The directors of the Company, who form the Board, during the year and to the date of this report were:

Mr D Hughes (Chairman of the Board)
Mr C Hill
Ms P Dixon
Mrs S Kelly
Mrs J Newark

Mr C Hill and Mr D Hughes resigned as directors and offered themselves for re-election on 16 June 2022 and it was resolved by an appropriate quorum to re-elect each of them to the Board. None of the directors received any remuneration from the Company (2021: £nil).

Each of the directors at the date of approval of the financial statements confirms that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware;
and
- each director has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

Independent Auditor

KPMG Channel Islands Limited ("KPMG") were the auditors during the year. A resolution to re-appoint KPMG as auditor will be proposed at the Annual General Meeting.

By Order of the Board

.....
Mr C Hill
28 June 2023

.....
Mr D Hughes

Alderney Housing Association Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Alderney) Law, 1994 ("Company law") requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with The Companies (Alderney) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Controls Assurance

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

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

Key elements of the control framework include:

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

Independent Auditor's Report to the Member of Alderney Housing Association Limited

Our opinion is unmodified

We have audited the financial statements of Alderney Housing Association Limited (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statement of income and retained surplus, and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2022, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland; and
- comply with the Companies (Alderney) Law, 1994.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

Independent Auditor's Report to the Member of Alderney Housing Association Limited (continued)

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures;
- we recalculated the rental income for the year and agreed a sample of receipts to underlying agreements and to the bank statements; and
- we reviewed the treatment of and vouched the proceeds received from first tranche sales of partial ownership properties to bank statements and supporting agreements.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of litigation or impacts on the Company's ability to operate. We identified company law as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Member of Alderney Housing Association Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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, 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.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Alderney) Law, 1994 requires us to report to you if, in our opinion:

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The purpose of this report and restrictions on its use by persons other than the Company's member

This report is made solely to the Company's member, in accordance with section 79 of the Companies (Alderney) Law, 1994. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited

Chartered Accountants

Guernsey

Alderney Housing Association Limited

STATEMENT OF INCOME AND RETAINED SURPLUS

For the year ended 31 December 2022

| | Notes | 2022 £ | 2021 £ |
|------------------------------------|-------|------------------|------------------|
| TURNOVER | 2,3 | 464,600 | 448,515 |
| Operating expenditure | 2,4 | (301,343) | (273,392) |
| | | <hr/> | <hr/> |
| OPERATING SURPLUS | | 163,257 | 175,123 |
| Finance income | | 535 | 10 |
| Finance charges | 6 | (98,602) | (101,287) |
| | | <hr/> | <hr/> |
| SURPLUS FOR THE YEAR | | 65,190 | 73,846 |
| Retained surplus as at 1 January | | 1,545,314 | 1,471,468 |
| | | <hr/> | <hr/> |
| Retained surplus as at 31 December | | 1,610,504 | 1,545,314 |
| | | <hr/> <hr/> | <hr/> <hr/> |

All amounts relate to continuing operations. There was no other comprehensive income during the year.

The notes on pages 10 to 19 form an integral part of these financial statements.

Alderney Housing Association Limited

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | Notes | 2022 £ | 2021 £ |
|---|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Incomplete development expenditure | 8 | 120 | - |
| Completed developments held for letting | 9 | 7,762,879 | 7,841,819 |
| Completed developments partial ownership | 9 | 40,794 | 41,290 |
| Land | 7 | 1 | 1 |
| | | <hr/> | <hr/> |
| Housing properties | | 7,803,794 | 7,883,110 |
| Other tangible assets | 10 | 2,119 | 2,927 |
| | | <hr/> | <hr/> |
| | | 7,805,913 | 7,886,037 |
| CURRENT ASSETS | | | |
| Trade and other debtors | 11 | 25,175 | 22,247 |
| Cash and cash equivalents | 20 | 148,570 | 123,512 |
| | | <hr/> | <hr/> |
| | | 173,745 | 145,759 |
| CREDITORS : amounts falling due within one year | | | |
| Creditors | 12 | 209,655 | 199,150 |
| | | <hr/> | <hr/> |
| | | 209,655 | 199,150 |
| NET CURRENT LIABILITIES | | | |
| | | (35,910) | (53,391) |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 7,770,003 | 7,832,646 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| CREDITORS : amounts falling due after more than one year | | | |
| Deferred income | 14 | 3,560,693 | 3,617,306 |
| Concessionary Loan | 13 | 2,598,806 | 2,670,026 |
| | | <hr/> | <hr/> |
| | | 6,159,499 | 6,287,332 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| NET ASSETS | | | |
| | | 1,610,504 | 1,545,314 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| RESERVES | | | |
| | | 1,610,504 | 1,545,314 |
| | | <hr/> <hr/> | <hr/> <hr/> |

These financial statements were approved by the Board and authorised for issue on 28 June 2023 and were signed on its behalf by:

.....

Mr C Hill

.....

Mr D Hughes

The notes on pages 10 to 19 form an integral part of these financial statements.

Alderney Housing Association Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | Notes | 2022 £ | 2021 £ |
|--|--------|------------------|------------------|
| Net cash generated from operating activities | 19 | 226,655 | 248,076 |
| Cash flow used in investing activities | | | |
| Construction of properties | 8,9 | (34,346) | (7,826) |
| Purchase of fixed assets | 10 | (488) | (3,544) |
| | | <hr/> | <hr/> |
| | | 191,821 | 236,706 |
| Cash flow from/(used in) financing activities | | | |
| Interest received | | 535 | 10 |
| Interest paid | 6 | (98,602) | (101,287) |
| Loans repaid | 13, 20 | (68,696) | (66,262) |
| | | <hr/> | <hr/> |
| | | (166,763) | (167,539) |
| Net change in cash and cash equivalents | 20 | 25,058 | 69,167 |
| Cash and cash equivalents as at 1 January | 20 | 123,512 | 54,345 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents as at 31 December | 20 | 148,570 | 123,512 |

The notes on pages 10 to 19 form an integral part of these financial statements.

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. LEGAL STATUS

Alderney Housing Association Limited (the "Company") is a limited by guarantee company incorporated in Alderney under the Companies (Alderney) Law 1994. The Company was incorporated on 19 August 2010. The principal activity of the Company is to provide social housing and associated housing management services. The registered Company number is 1789.

Alderney Housing Association Limited is a public benefit entity.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

CONVENTION

These financial statements have been prepared in accordance with the historical cost convention, show a true and fair view and are in accordance with the Statement of Recommended Practice for registered social housing providers 2018 (the "SORP") and FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*.

The Company does not fall within the recovery of capital grant regulations and is not required to either return or recycle capital grants released on the sale of partial ownership properties. The Company allocates grants released on subsequent partial ownership sales for the future buy back of partial ownership properties.

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

ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors. Judgements have been made in determining the appropriate discount rates used in the useful economic lives of properties and in the assessment of impairment on completed properties and incomplete developments. The assessment of impairment resulted in no adjustment being made to the value of completed properties and incomplete developments.

FIXED ASSETS

Housing properties

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

Housing properties are included at their cost, including the incidental costs of acquisition. All direct costs of development, including demolition and clearance of the sites and subsequent reconstruction are capitalised. Other directly attributable costs of the Company are attributed to each development on the basis of the proportion of time spent by the Company's employees in relation to the acquisition and development of each site. Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amounts of the property.

Housing properties in the course of development are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

Directly attributable costs of administering development projects have been capitalised in accordance with FRS102. £nil (2021 £nil) of such expenditure has been allocated to the costs of housing developments in the year.

The costs of acquiring freehold land for development are included within "Land". Land donated or transferred at a price less than its market value as social housing is included in the Statement of Financial Position at its market value as social housing at the date it is received. Subsequent development expenditure is initially disclosed under the category of "Incomplete Development Expenditure", until such time as properties reach the stage of practical completion and are made available to let or sell, at which time the expenditure is re-classified within "Completed Developments".

Thereafter, individual housing properties are carried at cost less accumulated depreciation, except where the directors' estimate of the net realisable value is less than its depreciated historical cost, in which case a provision for impairment is made and the property is carried at the directors' estimate of its net realisable value.

Where housing properties are carried at cost the resulting impairment in the carrying value of the asset is recognised in the Statement of Income and Retained Surplus.

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. ACCOUNTING POLICIES (continued)

FIXED ASSETS (continued)

Once the use of individual housing properties has been specified, housing properties are classified as being either "completed development held for letting" or "completed development partial ownership" properties, and separate disclosure of costs and valuations are made in relation to each class of asset.

Where properties classified as "completed development partial ownership" properties are recorded as partially sold, this signifies that a proportion of the rights in the freehold of the property (of between 40% and 80%) has been sold to the tenant, who rents from the Company the remaining proportion of the freehold still owned by the Company. The profit or loss on first tranche sales of partial ownership properties is disclosed in the Statement of Income and Retained Surplus.

Depreciation

Freehold land is not depreciated.

On completed housing properties held for letting, as the social housing grant is equivalent to the cost of the property, no depreciation has been charged, other than on some refurbishment costs on properties to bring them into a lettable state. Depreciation is calculated on the carrying value of housing properties, net of the cost of land, on a straight-line basis over the expected useful economic lives ("UEL") of each component within each property as follows:

| Component | UEL (years) |
|-------------------|--------------------|
| Housing structure | 75 |
| Roofs | 75 |
| Electrics | 50 |
| Lifts | 25 |
| Doors and windows | 25 |
| Bathrooms | 25 |
| Heating systems | 20 |
| Kitchens | 15 |

Depreciation on other tangible fixed assets is calculated to write down their cost to their estimated residual value over the period of their estimated useful economic lives. The depreciation rate employed for office and computer equipment is 33.3% per annum on a straight line basis.

The carrying values of tangible fixed assets are reviewed for impairment where the useful economic life is greater than 50 years.

GRANTS RECEIVED

Grants received from the States of Alderney as a capital cost towards the cost of housing schemes are recognised in turnover on a systematic basis over the useful life of the asset excluding land (the accruals method) in accordance with the SORP. Prior to satisfying the recognition conditions (e.g. development grant is recognised on practical completion of new build properties), such grants are held as deferred income on the Statement of Financial Position.

Where land has been donated by the States of Alderney, or transferred from the States of Alderney at a valuation below market value, the difference between the current market value at the date of transfer and the transfer price is treated as a grant received. Land grant is recognised on the date of conveyance and subsequently recognised in turnover on a systematic basis over the useful life of the asset (the accruals method) in accordance with the SORP.

TURNOVER

Turnover represents rental income and service charges receivable from housing properties, grants, other income and first tranche sales proceeds and is accounted for on an accruals basis. Rental and service charge income is recognised from the point when properties under development reach practical completion and become available for letting on a weekly basis on the Saturday it falls due or on a monthly basis as it falls due. Other income is recognised as receivable on the delivery of the services provided and the proceeds from first tranche disposals is recognised on date of conveyance.

FINANCE CHARGE

The finance charge is comprised of interest charges incurred in relation to the provision of the Company's long term financing arrangements. Other interest incurred is expensed in the Statement of Income and Retained Surplus.

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. ACCOUNTING POLICIES (continued)

COST OF SALES

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

DISPOSAL OF FIXED ASSETS

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

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. The effect of discounting on all the Company's financial instruments is not considered material. Except where stated, the carrying values of all financial instruments are considered to reflect their fair value.

Financial assets

Trade debtors

These are non derivative financial assets with fixed or determinable payments. They arise principally through property rental leases with tenants. The amounts receivable are initially recognised at transaction price less any impairment.

Cash at Bank

This comprises balances of cash on call and in short term deposits with the banks, which are initially recognised at cost. Interest income on cash balances held with the banks is recognised by applying the effective interest rate applicable to each account.

Financial liabilities

The Company's non derivative financial liabilities are defined below. The Company has no financial liabilities designated as "at fair value through profit or loss". The Company derecognises financial liabilities only when the Company's obligations are discharged, cancelled or expire.

Trade and other creditors

Short term trade creditors are measured at transaction price. Other creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank borrowings

These are recognised at fair value and subsequently measured at amortised cost using the effective interest method, with interest expenses being recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Concessionary Loans

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

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The directors of the Company consider the functional and presentational currency of the Company to be Sterling as predominantly all of the transactions undertaken by the Company are denominated in Sterling.

GOING CONCERN

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

OPERATING LEASES

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected inflation, in which case the Company recognises annual rental expenses equal to the amount owed to the lessor.

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. TURNOVER

The turnover for the year derives wholly from continuing activities.

| | Note | 2022 £ | 2021 £ |
|----------------------------|------|-----------|-----------|
| TURNOVER | | | |
| Rents receivable | | 407,421 | 391,411 |
| Grant income | 14 | 56,613 | 56,613 |
| Service charges receivable | | 566 | 491 |
| | | <hr/> | <hr/> |
| | | 464,600 | 448,515 |
| | | <hr/> | <hr/> |

4. OPERATING EXPENDITURE

The operating costs for the year derive wholly from continuing activities.

| | | 2022 £ | 2021 £ |
|---|--|-----------|-----------|
| Property expenses | | | |
| Maintenance and repairs | | 46,688 | 28,948 |
| Insurance | | 16,941 | 15,866 |
| Other property expenses | | 22,921 | 20,704 |
| Administrative expenses | | | |
| Salaries | | 41,977 | 39,637 |
| Guernsey Housing Association administration fee | | 26,970 | 28,158 |
| Other administrative expenses | | 28,326 | 24,283 |
| General expenses | | | |
| Insurance | | 3,858 | 3,519 |
| Depreciation of housing properties | | 113,662 | 112,277 |
| | | <hr/> | <hr/> |
| | | 301,343 | 273,392 |
| | | <hr/> | <hr/> |

5. TAXATION

No provision for taxation is included in these financial statements, as the Company has been granted exemption from taxation by the Administrator of Income Tax on account of its charitable status.

6. FINANCE CHARGES

| | | 2022 £ | 2021 £ |
|---------------|--|-----------|-----------|
| Finance costs | | 250 | 500 |
| Loan interest | | 98,352 | 100,787 |
| | | <hr/> | <hr/> |
| | | 98,602 | 101,287 |
| | | <hr/> | <hr/> |

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

7. INCOMPLETE DEVELOPMENT LAND

| | 2022 £ | 2021 £ |
|-----------------------|-----------|-----------|
| COST/VALUATION | | |
| At 1 January | 1 | 1 |
| Additions in the year | - | - |
| Writeoffs/transfers | - | - |
| NET BOOK VALUE | | |
| At 31 December | 1 | 1 |

8. INCOMPLETE DEVELOPMENT EXPENDITURE

| | 2022 £ | 2021 £ |
|-----------------------|-----------|-----------|
| COST/VALUATION | | |
| At 1 January | - | 36,322 |
| Additions in the year | 3,413 | 6,376 |
| Transfer (note 9) | (3,293) | (28,852) |
| Expensed | - | (13,846) |
| NET BOOK VALUE | | |
| At 31 December | 120 | - |

The SORP requires that partial ownership properties under construction are split between fixed assets and current assets. The split is determined by the percentage of property sold under first tranche sales. For the purpose of determining the current asset, we expect that 50% of each partial ownership property will be sold as a first tranche sale. There were no partial ownership properties under construction at the year end.

9. COMPLETE DEVELOPMENT EXPENDITURE

| | Property held for letting £ | Leasehold shared Ownership £ | Total Housing Property £ |
|---------------------|-----------------------------------|------------------------------------|--------------------------------|
| COST | | | |
| At 1 January 2022 | 8,480,002 | 44,656 | 8,524,658 |
| Transfers (note 8) | 3,293 | - | 3,293 |
| Additions | 30,933 | - | 30,933 |
| Disposals | - | - | - |
| At 31 December 2022 | 8,514,228 | 44,656 | 8,558,884 |
| DEPRECIATION | | | |
| At 1 January 2022 | 638,183 | 3,366 | 641,549 |
| Charge for the year | 113,166 | 496 | 113,662 |
| Disposal | - | - | - |
| At 31 December 2022 | 751,349 | 3,862 | 755,211 |
| NET BOOK VALUE | | | |
| At 31 December 2022 | 7,762,879 | 40,794 | 7,803,673 |
| At 31 December 2021 | 7,841,819 | 41,290 | 7,883,109 |

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

10. OTHER TANGIBLE ASSETS

| | <u>Computer Equipment</u> £ | <u>Office Equipment</u> £ | <u>Office Improvements</u> £ | <u>Total</u> £ |
|-----------------------|------------------------------------|----------------------------------|-------------------------------------|-------------------|
| COST | | | | |
| At 1 January 2022 | 9,051 | 153 | 241 | 9,445 |
| Additions | - | 488 | - | 488 |
| At 31 December 2022 | 9,051 | 641 | 241 | 9,933 |
| DEPRECIATION | | | | |
| At 1 January 2022 | 6,124 | 153 | 241 | 6,518 |
| Charge for the year | 1,221 | 75 | - | 1,296 |
| At 31 December 2022 | 7,345 | 228 | 241 | 7,814 |
| NET BOOK VALUE | | | | |
| At 31 December 2022 | 1,706 | 413 | - | 2,119 |
| At 31 December 2021 | 2,927 | - | - | 2,927 |

11. TRADE AND OTHER DEBTORS

| | 2022 £ | 2021 £ |
|-------------------------------|------------------|------------------|
| Trade debtors | 4,754 | 2,417 |
| Prepayments | 18,871 | 19,830 |
| Preliminary development costs | 1,550 | |
| | 25,175 | 22,247 |

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Note | 2022 £ | 2021 £ |
|--|------|------------------|------------------|
| Retentions payable - development costs | | 13,445 | 13,445 |
| Development costs | | - | - |
| Accruals | | 50,042 | 47,498 |
| Tenant rental prepayments | | 9,444 | 10,306 |
| Deferred income | | 56,613 | 56,613 |
| Other creditors | | 8,890 | 2,591 |
| Concessionary Loan | 13 | 71,221 | 68,697 |
| | | 209,655 | 199,150 |

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

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

| 13. CONCESSIONARY LOAN | 2022 | 2021 |
|---|-------------|-------------|
| | £ | £ |
| <i>Repayable in instalments</i> | | |
| States of Guernsey | 2,670,027 | 2,738,723 |
| | <hr/> | <hr/> |
| | 2,670,027 | 2,738,723 |
| | <hr/> | <hr/> |
| <i>Estimated capital balances due for repayment</i> | | |
| Due within one year (note 12) | 71,221 | 68,697 |
| Due after more than one year | | |
| - Due between one and two years | 73,838 | 71,221 |
| - Due between two and five years | 238,196 | 229,753 |
| - Due after more than five years | 2,286,772 | 2,369,052 |
| | <hr/> | <hr/> |
| | 2,598,806 | 2,670,026 |
| | <hr/> | <hr/> |
| At 31 December | 2,670,027 | 2,738,723 |
| | <hr/> | <hr/> |

The loan arrangement with the States of Guernsey comprise of one loan of £2,900,000 over a twenty eight year term with a fixed interest rate of 3.625% repayable by 31 December 2046. The loan is unsecured.

The loan is classed as a concessionary loan under FRS 102, 34.87. It is measured at amount received, less amounts repaid.

In 2022 interest of £98,352 (2021: £100,787) has been paid in relation to the loans and capital repayments amount to £68,696 (2021: £66,262).

14. DEFERRED INCOME - AMOUNTS FALLING DUE AFTER ONE YEAR

| | 2022 | 2021 |
|-----------------|-------------|-------------|
| | £ | £ |
| Deferred income | 3,560,693 | 3,617,306 |
| | <hr/> | <hr/> |
| | 3,560,693 | 3,617,306 |
| | <hr/> | <hr/> |

Where grant is received from the States of Alderney as a contribution towards the capital cost of housing schemes, it is recognised using the accruals method in accordance with the SORP and prior to meeting the recognition conditions, such grants are held as deferred income on the Statement of Financial Position. Deferred income is amortised over 75 years, the expected useful life of the asset. During 2022 grant income of £56,613 (2021:£56,613) was transferred from deferred income to the Statement of Income and Retained Surplus and included within Turnover.

15. MANAGED PROPERTY

On 12 December 2019, Whitegates Cottage was sold back to the States of Alderney. Under the terms of a management agreement dated 12 December 2019, the Company continues to manage the property for a management fee of £32.65 per week. Any rental income remaining after the deduction of the management fee and property expenses will be transferred to a sinking fund for any future repairs. £4,482 (2021: £5,268) was transferred to the sinking fund in 2022. The total in the sinking fund at 31 December 2022 was £5,155 (2021: £2,150).

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

16. BANK OVERDRAFT

The Company entered in to an overdraft agreement with The Royal Bank of Scotland International Limited trading as NatWest International, to fund the development of the Grand Hotel Site and major refurbishment of existing rental properties. The overdraft agreement commenced on 4 April 2013, terms are 3% over base rate up to the limit of £3,000,000. For borrowings over the limit interest will be charged at 29.5% per annum. This facility was reduced to £100,000 on 1 July 2019 and to £50,000 on 23 July 2020. The overdraft facility was not used during the year ended 31 December 2022 (2021: £nil). This facility was cancelled on 30 June 2022.

17. FINANCIAL INSTRUMENTS - RISK EXPOSURE AND MANAGEMENT

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and process for managing those risks and the methods used to measure them. The Company does not undertake any significant transactions in currencies other than sterling and therefore no exchange rate exposure exists.

PRINCIPAL FINANCIAL INSTRUMENTS

The principal financial instruments used by the Company from which financial instrument risk arises, are as follows:

- Trade debtors
- Cash at bank
- Trade and other creditors
- Loans

GENERAL OBJECTIVES, POLICIES AND PROCESSES

The board of directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's ability to operate. Further details regarding these policies are set out below.

CREDIT RISK

Credit risk arises when a failure by a counter party to discharge their obligations to the Company could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company's credit risk principally arises from cash at bank as well as credit exposures with respect to tenants included within trade debtors. In the event of default by a tenant, the Company will suffer a rental shortfall and incur additional costs, including legal and other expenses in maintaining, insuring and re-letting the property, until it is re-let. General economic conditions may affect the financial stability of tenants and prospective tenants.

The Company carries out checks on prospective tenants and monitors the payment record of current tenants in order to anticipate, and minimise the impact of default by tenants.

It is a requirement of those banks from which the Company receives its loan financing that current accounts and surplus cash balances, relating to individual developments financed, are held with the banking group which has extended the financing. The bank from which the company receives its loan financing are assessed prior to entering into any financing arrangements. The current overdraft arrangement is with The Royal Bank of Scotland International Ltd (trading as NatWest International) which is rated as A- with Standard and Poors.

The Company receives its loan financing from the States of Guernsey to which Standard & Poors has assigned an A+ credit rating. The Directors monitor the credit rating but at the current level consider the credit risk to be low. The credit ratings of the bank and the States of Guernsey are reviewed periodically.

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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

LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities do not match. The Company has procedures to minimise such risks such as maintaining sufficient cash and by having available an adequate amount of committed credit facilities. Cash at bank is placed with financial institutions on a short term basis reflecting the Company's desire to maintain a high level of liquidity in order to enable timely completion of development transactions.

The Company's main contractual obligations stem from amounts due to contractors for development work. The contractual maturity of the Company's government borrowings are stated in note 13. The Company believes its monthly rental stream is sufficient to satisfy the repayment terms of its loan facilities. The Company at present has no development plans in place, now that Coastguards is complete and will review its finance arrangements for future developments with the banks and the States of Guernsey. The Company's other main contractual obligations stem from amounts due to contractors for development work and retention payments. The directors believe that the Company has sufficient cash reserves to satisfy the payment terms of the amounts due to contractors and other suppliers (as stated in note 12) for work and services performed to date and for future contracted work.

INTEREST RATE RISK

Interest rate risk on borrowings is mitigated by a loan with a fixed interest rate for up to a 28 year term.

The overdraft facility of £50,000 has now been cancelled, which was subject to interest at a floating rate. The Company recognised this and monitored rates to ensure interest costs were minimised.

18. LEASING COMMITMENTS

The Company's future minimum operating lease payments are as follows:

| | 2022 £ | 2021 £ |
|----------------------------|-----------|-----------|
| Within one year | 4,200 | 4,200 |
| Between one and five years | 1,050 | 1,050 |

19. CASH INFLOWS FROM OPERATIONS

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Surplus for the year | 65,190 | 73,846 |
| Adjustments for non-cash items: | | |
| Depreciation | 114,958 | 112,996 |
| Decrease / (Increase) in debtors | (2,928) | 3,213 |
| Decrease in creditors | (48,632) | (43,256) |
| Adjustments for investing or financing activities: | | |
| Interest and finance costs paid | 98,602 | 101,287 |
| Interest received | (535) | (10) |
| Net cash inflow from operating activities | 226,655 | 248,076 |

20. ANALYSIS OF CHANGES IN NET DEBT

| | 1 January 2022 £ | Cashflow £ | 31 December 2022 £ |
|-----------------|------------------------|---------------|--------------------------|
| Cash at Bank | 123,512 | 25,058 | 148,570 |
| Loans (note 13) | (2,738,723) | 68,696 | (2,670,027) |
| Total | (2,615,211) | 93,754 | (2,521,457) |

Alderney Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

21. LIMITATION OF GUARANTEE

The Company is a Company limited by guarantee. The registered member has guaranteed to provide the total sum of £10 in the event of the Company's insolvency.

22. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the directors, there is no controlling party of the Company as no party has the ability to direct the financial and operating policies of the Company with a view to gaining economic benefits from their direction.

Alderney Housing Association Limited is a wholly owned subsidiary of Guernsey Housing Association LBG.

Advantage is being taken of the exemption to not disclose Related Party transactions with the Company's parent as the Company is a wholly owned subsidiary.

23. PENSION COSTS

Employees of the Company are eligible to take out a personal pension plan which is partially funded by the Company. These are defined contribution pension arrangements whereby the Company's funding is based on a fixed percentage of salary and the assets of the pension plans are held separately from those of the Company in independently administered funds. The amounts paid by the Company in pension contributions during the year totalled £3,536 (2021: £0.)

24. CONTINGENT LIABILITY

The Company has a contractual obligation under the terms of leasehold agreements to repurchase the sold percentage of partial ownership properties in the event of a surrender or default by the leaseholder of the terms of the lease or on the death of a leaseholder. The repurchase value is determined by current market values and has been estimated, at 31 December 2022, to be £108,000 (2021: £108,000).

25. POST BALANCE SHEET EVENTS

There are no material subsequent events after the reporting date.

THE FOLLOWING PAGE DOES NOT FORM A
PART OF THE AUDITED FINANCIAL STATEMENTS
OF THE COMPANY AND ARE PRESENTED FOR
INFORMATION PURPOSES ONLY

Alderney Housing Association Limited
STATEMENT OF TANGIBLE NET WORTH (unaudited)
At 31 December 2022

| | 2022 | 2021 |
|---|-------------------|------------------|
| | £ | £ |
| FIXED ASSETS - per Statement of Financial Position | 7,805,913 | 7,886,037 |
| CURRENT ASSETS - per Statement of Financial Position | 173,745 | 145,759 |
| GROSS ASSETS PER STATEMENT OF FINANCIAL POSITION | 7,979,658 | 8,031,796 |
| ADJUSTMENTS | | |
| Revaluation to market value of property | 5,741,326 | 1,686,891 |
| ADJUSTED GROSS ASSETS | 13,720,984 | 9,718,687 |
| LIABILITIES | | |
| Amounts falling due within one year - per Statement of Financial Position | 209,655 | 199,150 |
| Amounts falling due after one year - per Statement of Financial Position | 6,159,499 | 6,287,332 |
| | 6,369,154 | 6,486,482 |
| ADJUSTMENTS | | |
| Grant liability | (3,617,306) | (3,673,919) |
| ADJUSTED GROSS LIABILITIES | 2,751,848 | 2,812,563 |
| CONSOLIDATED TANGIBLE NET WORTH | 10,969,136 | 6,906,124 |
| GOVERNMENT DEBT | 2,670,027 | 2,738,723 |
| Government Debt as a percentage of Consolidated Tangible Net Worth | 24.34% | 39.66% |

This statement is presented to disclose the "Tangible Net Worth" of the company at the balance sheet date, as defined in the company's Agreement with the States of Alderney dated 22 November 2010.

APPROVED BY THE BOARD OF DIRECTORS

.....
 Mr C Hill

.....
 Mr D Hughes

Date

Date