



**Annual report and financial statements
for the year ended 31 March 2020**

Company number: 08757850

Grand Union Group Funding PLC

Annual report and financial statements

For the year ended 31 March 2020

Company Number: 08757850

Grand Union Group Funding PLC

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Company Information

Directors

Aileen Evans
John Edwards
Nicola Ewen
Peter Fielder
Mona Shah

Company Secretary

Chris Bellamy

Registered Office

K2
Timbold Drive
Kents Hill
Milton Keynes
Bucks
MK7 6BZ

Company Number

08757850

Auditors

Beever and Struthers
St Georges House
215-219 Chester Road
Manchester, M15 4JE

Bankers

U.S. Bank
125 Old Broad Street
London
EC2N 1AR

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Strategic Report

The directors present their strategic report for Grand Union Group Funding PLC (the “Company”) for the year ended 31 March 2020.

Principal activities

The principal activity of the Company is to act as the funding vehicle for Grand Union Housing Group (the Group).

Review of the business

On 4 December 2013, the Company successfully issued a £150m bond, which included a retained element of £35m, at a coupon of 4.625% with repayment after 30 years (4 December 2043). The bond was issued at a discount, so funds received totalled £114.3m.

The keen pricing demonstrated the Group’s strong financial position which had been reflected in the A2 (Stable) credit rating issued by Moody’s Investor Services in December 2014. The rating outlook was changed to A2 (Negative) on 29 June 2016 following the result of the UK’s referendum to leave the European Union. This change applied across all sub sovereign organisations and reflected the uncertain future for the UK Government and closely related businesses. This rating was changed by Moody’s Investor Services to A3 (Stable) in October 2018 and reaffirmed in October 2019 following their annual review.

The cost of issuing the bond was £1.4m leaving a balance of £112.9m which was immediately on-lent to Grand Union Housing Group Limited under a facility arrangement between the Company (as lender) and Grand Union Housing Group Limited (as borrower), following this the effective interest rate on the £112.9m is 4.7948%. The bond is listed on the London Stock Exchange.

The bond is for a period of 30 years and secured on assets owned by Grand Union Housing Group Limited, with a covenant that requires a minimum level of asset cover of 105% on an Existing Use Value – Social Housing basis or 115% on a Market Value subject to Tenancies basis. Grand Union Housing Group Limited pays 4.625% interest on its borrowing from the Company.

Since incorporation the Company has not carried out any business or activities other than incidental to the financing of Grand Union Housing Group Limited.

A trust deed, entered into at the time of the bond issue, required that the retained bond (£35m) be cancelled if not sold by the Company within three years of the issue date i.e. by 4 December 2016. The Company reviewed the funding requirements at that date in line with the Group’s strategic objectives and cancelled the retained bond.

As the Company’s activities are limited to the raising and management of private finance for Grand Union Housing Group Limited (GUHG), it employs no staff and all administration functions are carried out by the finance team of GUHG. As a result, there is no significant information to report on regarding environmental matters, employees or social and community issues.

Future Outlook

The directors do not anticipate any change in the Company’s principal activity and expect future financial performance to continue on the same basis.

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Strategic Report

Principal risks and uncertainties

The Company on-lent all the proceeds from the bond issue to members of the Group. The main risk facing the Company is that GUHG is unable to make interest or principal payments when they fall due. GUHG is financially strong, with a long-term business plan that shows capacity to repay interest and principal when due. This plan has been fully risk assessed and stress tested with any potential mitigation activities clearly identified. Processes are in place for forward monitoring lead indicators and early warning triggers.

Key performance indicators

The Company operates as the Group funding vehicle and as such has no specific key performance indicators.

Future developments, performance and position

The directors do not anticipate any change in the Company’s principal activity and expect future financial performance to continue on the same basis.

The directors do not recommend a dividend for the year ended 31 March 2020 (2019: £nil).

Directors’ indemnity provision

The board confirms that Company has in place directors’ and officers’ insurance.

Other information

The Company has no direct employees and it exists solely to on-lend the proceeds of capital market transactions. The Company had five directors as at 31 March 2020.

Approved by the board on 28 July 2020 and signed on its behalf by:



John Edwards
Chair

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Directors' Report

The directors present their report and the financial statements for the Company for the year ended 31 March 2020.

Directors

The Company's directors are listed on page 2.

Financial risk management

Risk management objectives and policies

The directors acknowledge their responsibility for establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The directors have delegated the on-going review of controls to the Grand Union Housing Group Audit and Risk Committee. The directors receive regular updates from the Committee on the risk register and control framework.

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

The process for identifying, evaluating and managing the significant risks faced by the Group was on-going throughout the year and to the date of approval of these financial statements.

The Group has a formal Treasury Management Policy ensuring that the member companies have sufficient resources to meet on-going capital and revenue commitments and to protect against adverse movement in interest rates. The Group acknowledges that effective treasury management will support the delivery of the business and service objectives. The Group is committed to the principles of achieving value for money in treasury management within the context of effective risk management.

Interest rate risk and hedging

As at 31 March 2020, 100% of the Company's debt was on fixed rate terms. There is no intention to repay any debt prior to maturity, therefore any movement in the market value of debt due to changes in interest rates is deemed immaterial to the ongoing operations of the Company.

Liquidity risk

The Company actively lends the full amount it has borrowed, thus the assets fully offset its liabilities and GUHG pays to the Company the interest on the due dates. There is considered to be no net exposure to either liquidity risk from repayment or interest risk. Further quantitative information and sensitivity analysis is not provided as these risks are considered to be immaterial.

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Directors' Report

Credit risk

As at 31 March 2020 the Company had lent all its funds to GUHG and therefore the main risk is that GUHG will be unable to pay interest or principal when they fall due. The underlying assets of issuance belong to GUHG through a security trust arrangement with the Prudential Trustee Company Limited. The loan to GUHG is made under the terms of an agreement between the Company and GUHG.

The maximum exposure to credit risk is represented by the total carrying amount of the Company's assets at the reporting date.

All amounts loaned to other members of the Group are considered recoverable, and therefore no impairment of these assets is considered necessary.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the 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 judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

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Directors' Report

Going concern

After making all reasonable enquiries, the directors have a reasonable expectation that Grand Union Group Funding PLC has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

Annual general meeting

The annual general meeting will be held on 28 July 2020.

Matters presented in the strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report. These matters relate to:

- information regarding the future developments of the Company
- information regarding directors' indemnity provisions.

Statement as to disclosure of information to the auditor

So far as each person who is a director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following a successful tender exercise, Beever and Struthers were appointed as Auditors for GUHG.

Approved by the board on 28 July 2020 and signed on its behalf by:



John Edwards
Chair

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Independent Auditor's Report to the Members of Grand Union Group Funding plc

Our opinion is unmodified

We have audited the financial statements of Grand Union Group Funding plc ("the Company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor of Grand Union Group Funding plc by the Board for the period ending 31 March 2020. The period of total uninterrupted engagement for the Company is one financial year, ending 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

We have nothing to report to you 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 has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified,

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including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

i. Recoverability of long term debtors

The risk – significant risk high value

Grand Union Group Funding plc is a special purpose vehicle formed for the purpose of receiving the proceeds of a bond issue in November 2013. The Company on-lent the entire bond issue proceeds to Grand Union Housing Group. The financial statements of the Company show the following balances in relation to the bond issue:

- Long term debtor due from Grand Union Housing Group: £114.8m (2019: £114.8m)
- Long term creditor due to bondholders: £114.8m (2019: £114.8m)

Refer to pages 16-18 (accounting policy) and pages 20 - 21 (financial disclosures).

The ability of Grand Union Housing Group to service and repay the debt due to the Company is a key audit matter. During the year ended 31 March 2020, COVID-19 had a significant impact on the UK economy and on the activities of housing associations. As auditors to the Company, we are required to consider the impact of COVID-19 on the financial outlook for Grand Union Housing Group and assess its impact on the going concern status of the Company, and on the accounting treatments and disclosures within the Company's financial statements.

Our response

Our procedures included:

- **Assessment of recoverability:** Assessing 100% of intercompany long term debtors by considering the financial viability of Grand Union Housing Group, in particular whether the Group has sufficient liquidity to meet interest payments as they fall due, and sufficient longer term future cash flows to repay the debt. We have reviewed Grand Union Housing Group's internal assessment of the implications of COVID-19, and management information relating to actual and forecast financial performance after the year end. We have reviewed the Group's long term financial plans, revised in the light of COVID-19, and the stress testing of those plans. We have considered the potential impact of these matters on the Group's financial viability into the foreseeable future, and on its status as a going concern
- **Test of detail:** Agreeing the debtor balance to the accounting records of the Company and Grand Union Housing Group.
- **Test of detail:** Agreeing interest receipts and payments, and capital repayments, between the accounting records of Company and Grand Union Housing Group, and payments to the bondholder.

Our results

We identified a number of areas where COVID-19 and the resulting impact on the economy could potentially impact significantly on Grand Union Housing Group, including:

- Impairment
- Rent collection and bad debts

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- Sales risk and exposure to the property market
- Investment properties
- Pension scheme valuation

Based on the audit work performed we performed, we are satisfied that the above matters do not cause material uncertainty in the ability of Grand Union Housing Group to repay its debt to the Company, and we are satisfied with the assessment of the Company's Board that the Company remains a going concern.

We have nothing to report in this regard.

Our Application of Materiality and an Overview of the Scope of the Audit

The materiality for the audit of the Company, regarding the Statement of Financial Position, for the year ended 31 March 2020 was £306.5k) determined with reference to the average of the following benchmarks:

- 1% of turnover
- 5% of result before tax
- 4% of net assets
- 1% of gross assets

Materiality for the audit of the Statement of Comprehensive Income is an average of the first two benchmarks only at £37.5k).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £15k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Other information

The other information comprises the information included in the Report of the Board including Strategic Report, other than the financial statements and our auditor's report thereon. The Board is 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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- the information given in the Report of the Board including Strategic Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- the Company has not kept adequate accounting records; or
- the Company's financial statements are not in agreement with accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors

As explained more fully in the Statement of directors' Responsibilities set out on page 6, the directors are 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 directors 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 directors are responsible for 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 the directors either intend to liquidate the Company 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 web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Irregularities – ability to detect

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

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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Use of our Report

This report is made solely to the Company's members, as a body, in Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Lee Cartwright, Senior Statutory Auditor

For and on behalf of

Beever and Struthers

St George's House

215-219 Chester Road

Manchester

M15 4JE

Date: 6 August 2020

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Statement of Comprehensive Income For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Interest receivable and similar charges	3	5,360	5,358
Interest payable and similar charges	4	(5,360)	(5,358)
Operating profit	5	<u>-</u>	<u>-</u>
Profit on ordinary activities before taxation		<u>-</u>	<u>-</u>
Taxation		-	-
Profit for the year		<u>-</u>	<u>-</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 16 to 22 are an integral part of these financial statements.

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Statement of Financial Position As at 31 March 2020 Company number 08757850

	Note	2020 £'000	2019 £'000
Current assets			
Debtors: amounts falling due within one year	8	38	38
Debtors: amounts falling due after one year	8	114,831	114,790
Cash and cash equivalents		12	12
		114,881	114,840
Creditors: amounts falling due within one year	9	-	-
Net current assets		114,881	114,840
Creditors: amounts falling due after one year	9	(114,831)	(114,790)
		50	50
Net assets		50	50
Share Capital and reserves			
Called up share capital		50	50
Revenue reserve		-	-
		50	50
Total equity		50	50

These financial statements were approved by the board on 28 July 2020 and signed on its behalf by:



John Edwards
Chair



Chris Bellamy
Secretary

The notes on pages 16 to 22 are an integral part of these financial statements.

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Statement of Changes in Equity For the year ended 31 March 2020

	Note	Called up share capital £'000	Revenue Reserve £'000	Total equity £'000
At 1 April 2018		50	-	50
Profit for the year		-	-	-
Other comprehensive income		-	-	-
		<hr/>	<hr/>	<hr/>
Total comprehensive income		-	-	-
		<hr/>	<hr/>	<hr/>
At 31 March 2019		<u>50</u>	<u>-</u>	<u>50</u>
Profit for the year		-	-	-
Other comprehensive income		-	-	-
		<hr/>	<hr/>	<hr/>
Total comprehensive income		-	-	-
		<hr/>	<hr/>	<hr/>
At 31 March 2020		<u>50</u>	<u>-</u>	<u>50</u>

Reserves

Revenue Reserve

The revenue reserve represents cumulative profits and losses and gains and losses of the Company.

The notes on pages 16 to 22 are an integral part of these financial statements.

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Notes to the financial statements

For the year ended 31 March 2020

1. Accounting policies

1.1 General information

Grand Union Group Funding PLC (the Company) is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is K2, Timbold Drive, Kents Hill, Milton Keynes, Bucks, MK7 6BZ

These financial statements have been presented in Pound Sterling as this is the Company's functional currency, being the currency of the primary economic environment in which the Company operates.

1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102) and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. The Company is included in the consolidated financial statements of its parent undertaking Grand Union Housing Group Limited. Note 11 provides details of where those consolidated financial statements may be obtained from.

In preparing the financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 *Statement of Financial Position*
- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

On the basis that equivalent disclosures are given in the consolidated accounts of the parent company, the Company has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*.

1.3 Interest receivable

Interest receivable and similar income is recognised as interest accrued using the effective interest rate method.

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1.4 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated based on the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that is expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, based on all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.5 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash and cash equivalents, debtors and creditors. The Company has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* in full.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

Debtors

Debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

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At each reporting date, the Company assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments

Creditors

Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

2.1 Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

Assessing whether the Company meets the definition of a financial institution

The directors have performed an assessment to conclude whether the Company meets the definition of a financial institution as set out by FRS 102. Entities that meet this definition are required to present additional disclosures as required by FRS 102 Section 34 Specialised Activities.

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A financial institution includes entities “whose principal activity is to generate wealth or manage risk through financial instruments”. The principal activity of the Company is deemed by the directors to be the sourcing of funding directly from the capital markets to on-lend to other Group members. Funding obtained is secured on the assets of other group members, and interest charges are passed to other Group members, hence the Company itself does not generate profit from the arrangement.

As such, the directors do not regard the Company falls within the definition of a financial institution; this being on the basis that the Company’s use of financial instruments is not primarily for the generation of wealth or for the management of risk, but rather for the purpose of raising finance on behalf of the parent company.

2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The directors have not identified any such sources of estimation uncertainty.

3. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from fellow group subsidiary	5,360	5,358
	<u>5,360</u>	<u>5,358</u>

4. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable to bond holders	5,360	5,358
	<u>5,360</u>	<u>5,358</u>

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5. Operating profit

During the period, the Company recharged interest paid on loans to Grand Union Housing Group Limited, to whom the proceeds of the capital market issue were on-lent. The Company's operating costs are also met by its ultimate parent undertaking Grand Union Housing Group Limited. Consequently, during the current and prior year, the Company made neither a profit nor a loss.

Audit and non-audit fees charged by Beever and Struthers relating to Grand Union Group Funding PLC are expensed by Grand Union Housing Group Limited in accordance with the loan agreement and disclosed within its consolidated accounts. The proportion of the audit fee attributable to the Grand Union Group Funding PLC is £7,125. All figures are net of VAT.

6. Employee benefits

The Company does not have any employees. All employees acting on behalf of the Company are employed by Grand Union Housing Group Limited, whose costs are disclosed in the Group financial statements.

7. Directors' emoluments

The directors of Grand Union Group Funding PLC did not receive any emoluments for their duties as directors of the Company for the year ended 31 March 2020 (2019: £nil). Aileen Evans, and Mona Shah are directors, employed and remunerated by Grand Union Housing Group. Full accounting disclosures on directors' remuneration are therefore included within the Group financial statements.

8. Debtors

	2020 £'000	2019 £'000
Amounts due within one year:		
Interest due from the parent company	-	-
Unpaid share capital	38	38
	<u>38</u>	<u>38</u>
Amounts due after one year:		
Loan due from fellow Group subsidiary	114,831	114,790
	<u>114,831</u>	<u>114,790</u>

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The terms of the on-lending agreement underlying the intra-group debtor mirror those of the Company's bond liability shown within creditors. Further information in respect of these instruments are set out in note 9.

9. Creditors

	2020 £'000	2019 £'000
Amounts due within one year:		
Interest due to bondholders	-	-
Amounts due to fellow Group subsidiary	-	-
	<u>-</u>	<u>-</u>
Amounts falling due in more than one year:		
Issue 4/12/43 (Semi-annual coupon)	114,831	114,790
	<u>114,831</u>	<u>114,790</u>

On 4 December 2013 Grand Union Group Funding PLC successfully issued a £150m bond this included £115.0m immediately issued at a coupon of 4.625% with repayment after 30 years in 2043 and a £35m retained element. The bond was issued at a discount of 0.578% so that funds of £114.3m were received.

The bond discount and costs of issue are amortised over the term of the bond, 30 years, with Grand Union Housing Group Limited being liable to Grand Union Group Funding PLC for both.

The cost of issuing the bond was £1.4m leaving a net balance of £112.9m; this was on-lent to Grand Union Housing Group Limited to enable it to repay some of its existing loans and to fund future development. The effective interest rate, and actual interest rate, associated with the listed bond and on-lent funds is 4.7948% and 4.625% respectively. The underlying assets of the issuance belong to Grand Union Housing Group Limited through a security trust arrangement with the Prudential Trustee Company Ltd.

10. Called up share capital

	Number 2020	Number 2019	2020 £'000	2019 £'000
Issued share capital:				
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50</u>	<u>50</u>

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Grand Union Housing Group Limited is the registered holder of 50,000 shares of £1, of which £12,500 has been paid. The shares were issued on incorporation of the Company on 1 November 2013.

Grand Union Housing Group Limited acquired its 50,000 ordinary shares on 1 November 2013 and paid £12,500. The remaining balance of unpaid share capital (£37,500) is shown within debtors (note 8).

The holders of the ordinary shares are each entitled to one vote per share. The shares carry no right to fixed income and are non-redeemable.

11. Parent undertaking and ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Grand Union Housing Group Limited, a registered provider and a registered society under the Co-operative and Community Benefit Societies Act 2014 with registration number 7853 and registered with the Regulator for Social Housing pursuant to sections 111 and 112 of the Housing and Regeneration Act 2008 (Registration No. 5060). Copies of Group accounts can be obtained at www.grandunionhousing.co.uk.