

Annual Report and Accounts

for the year ending 31 March 2016

ANCHO Limited

Financial Conduct Authority 2559 R (S)

Scottish Housing Regulator Registration No. 306

Charity Reference SC036082

Registered property factor PF000346



ANCHO FINANCIAL REVIEW FOR YEAR ENDED 31 MARCH 2016

Summary

These financial results cover the Association's fifteenth full year of operations.

The Association made a surplus in the year of £603,153 (£75,372 surplus in 2015). £958,094 was spent on planned maintenance (which has been capitalised under new component accounting regulations) bringing the total spend on our Investment Programme to £11.7 million from inception and is in line with the long term business plan and commitments made to tenants.

One property was sold under Right to Buy Legislation.

Turnover

Turnover of £3.111 million (of which £2.731 million relates to the income from the letting of properties at affordable rents). Rent increases were 2.5%. The new rent matrix is now fully implemented resulting in more equitable and fairer rents.

Maintenance

During the year 124 properties received new external wall insulation, 60 properties received new roofs, 64 had roofline work completed, 13 properties were rewired, 7 received new bathrooms, 5 received new kitchens and 9 properties had new windows and doors, 4 heating systems were replaced.

Homeowner Services

Following the implementation of the Property Factors (Scotland) Act in October 2012 we have now been officially appointed as Factor for 197 homeowners in the area.

Performance

During the year home visits were carried out on 100% of ANCHO tenants. Rent arrears remained low at 2.4% despite the issues around bedroom tax and universal credit. 58 properties became void – down 14 from the previous year.

Wider Role Activities

The Community Link Project received grants totalling £169,974 (an increase of £36k from last year). We started a new Youth in Arts Project and Good Neighbour Service after two successful funding applications from Scottish Government and Young Start. We offer financial and debt advice services 5 days per week and run 4 outreach surgeries in North Ayrshire. Main funding sources were Big Lottery and Scottish Government People In Communities Fund. We have continued to provide a mobile caretaking and handyman service.

Treasury Management

At 31 March 2016 £5.9 million (70%) of borrowings were subject to variable rates, with interest of around 1.35. Fixed rates averaged 4.1% for loans of £2.5m.

Members of Board of Management, Executives and Advisers year ended 31st March 2016

Jacqueline Browne	Chair
John Rodgers	Vice Chair
Colin Cameron	Secretary
Sonya Campbell	
Thomas Long	
Nicola McQuiston	
Kirsty Sweeney	
Amanda Kean	
Tony Gurney	(appointed 08/10/2015)
Lesley Shepherd	(appointed 26/11/2015)
David Carse	(appointed 28/01/2016)
Helen Malcomson	(resigned 26/08/2015)
Lisa McColm	(resigned 28/5/2016)
Ian Clarkson	(resigned 26/8/2015)
Tom Barr	(resigned 1/6/2015)
Kevin Walsh	(resigned 2/3/2016)

Executive Officers

Elaine Gibson	Director
Liz Docherty	Assistant Director

Registered Office

Sovereign House
Academy Road
Irvine
KA12 8RL

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

External Auditors

Armstrongs
Statutory Auditors
Victoria Chambers
142 West Nile Street
Glasgow
G1 2RQ

Bankers

Royal Bank of Scotland
West of Scotland Corporate Office
Floor 3, Kirkstane House
139 St. Vincent Street
Glasgow
G2 5JF

REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2016.

Legal Status

The Association is registered as a non-profit making Association under the Co-operative and Community Benefit Societies Act 2014 No.2559 R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036082.

Principal activities

The Association is a Registered Scottish Charity and we provide relief of those in need by reason of age, ill health (whether related to mental or physical health), disability (whether due to mental or physical health issues or learning disabilities), financial hardship or other disadvantage, both to individual persons or to a group of persons with similar needs and issues by;

- To meet the housing needs and potentially the wider social and investment needs of current and future residents of North Ayrshire;
- To provide a high quality housing , repair and maintenance service and product to all Association tenants and customers;
- To undertake any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re- enactment of the provisions of this section from time to time being in force and;
- To develop the Association's activities to ensure the future viability of the stock.

Review of Business and Future Developments

The Association's overall aim is to help sustain the regeneration of North Ayrshire through the provision of quality housing and services, which will meet the diverse needs and aspirations of our customers. ANCHO currently has no development plan in place however if the opportunity came up in the future this is something that the Association would give serious consideration to.

ANCHO are also committed to ensuring its properties are maintained to a high standard and recognises its obligations to provide major repairs to its properties to ensure that is the case. We carry out annual stock condition surveys on 20% of stock which allows us to update our life cycle costing exercise and to confirm the position with our stock.

A review of the Association's performance during the year is contained in the Financial Review on page 2.

The Future

The Association will focus on maintaining the increased level of performance that it has achieved over the last 15 years. ANCHO's focus will also be on working towards the objectives and targets agreed within the Corporate Strategy and ensuring that it achieves value for money and improvement in all areas of operation.

Major challenges that ANCHO will address over the coming year are:

- Welfare reform
- Estate caretaking service
- Redburn Community Centre
- Energy efficiency
- Tenant participation and scrutiny

Surplus for the year and transfers

The results for the year are shown in the Statement of Comprehensive Income on page 13. The financial statements incorporate ANCHO's share of the Strathclyde Pension Fund which results in the inclusion of a liability of £370,000 in the Statement of Financial Position and an actuarial gain of £618,000 within the Statement of Comprehensive Income.

Fixed assets

Changes in fixed assets in the year are set out in note 10 of the financial statements.

Board of Management and Executive Officers

The members of the Board of Management and Executive Officers are listed on page 3.

Each member of the Management Board holds one fully paid share of £1 in the Association with the exception of Co-optees. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Board.

The members of the Management Board are also Trustees of the Charity. Members of the Management Board are appointed by the members at the Association's Annual General Meeting.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those Financial Statements, the Board of Management is required to:-

- select suitable accounting policies and 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements

2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board of Management must in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

Statement of Internal Financial Control

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- that transactions are properly authorised and recorded;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The key elements of the Associations' systems include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures are established to maintain standards of performance.
- Forecasts and budgets are prepared regularly which allow the management team and the Board to monitor the key business risks and financial objectives, and progress being made towards achieving the financial plans set for the year and the medium term; monthly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.

- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the governing body.
- The Board receives reports from management, internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the period ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Charitable Donations

During the year the Association made charitable donations amounting to £1696.

Internal Audit

The Association is part of Millennium Benchmarking Group and share best practice on a regular basis on all areas of performance. A Scrutiny Sub Committee was set up. First area of examination was estate management.

Related Party Transactions

One member of the Board of Management is a tenant:

His tenancy is on the Association's normal tenancy terms and he cannot use this position to his advantage. Transactions with governing body members (and their close family) were as follows:

Rent Received from tenant in the year was £4048.72 and there were no rent arrears as at 31st March 2016.

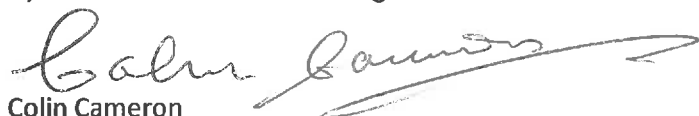
Statement as to Disclosure of Information to Auditors

So far as the Board are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) which the Association's auditors are unaware, and each Board member has taken all the steps that he or she ought to have taken as a Board member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

A resolution to re-appoint Armstrongs will be proposed at the Annual General Meeting.

By order of the Board of Management



Colin Cameron

Secretary

Date: 26 May 2016

REPORT BY THE AUDITORS TO THE MANAGEMENT BOARD OF ANCHO LTD ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2016

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 4,5,6 and 7 concerning the Association's compliance with the information required by the Regulatory Advice Notes in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.


Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 8 and 9 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Board and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.


ADAM ARMSTRONG LLB CA (Senior Statutory Auditor)

For and on behalf of Armstrongs
Statutory Auditor
Chartered Accountants
Victoria Chambers
142 West Nile Street
Glasgow
G1 2RQ

26th May 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANCHO LTD

We have audited the Financial Statements of ANCHO Limited for the year ended 31 March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Management and Auditors

As explained more fully in the Statement of Management Board's Responsibilities on pages 5 and 6 the Association's Management Board are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Management Board, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Report of the Management Board to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

Opinion on Management Board Report

In our opinion the information given in the Report of the Management Board for the financial year 2015/16 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the current legislation requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the accounting records and returns; or
- Certain disclosures of Management's remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.



ADAM ARMSTRONG LLB CA (Senior Statutory Auditor)

For and on behalf of Armstrongs

Statutory Auditor

Chartered Accountants

Victoria Chambers

142 West Nile Street

Glasgow

G1 2RQ

26 May 2016

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2016

	Note	2016 £	Restated 2015 £
Revenue	2	3,111,202	2,886,821
Operating Costs		<u>(2,203,914)</u>	<u>(2,455,81)</u>
Operating Surplus/(Deficit)	2	907,288	431,008
Loss on Disposal of Fixed Assets	6	(8,401)	(46,990)
Interest Receivable		8,834	6,597
Interest Payable & Other Charges	7	(231,568)	(271,417)
Other Income/(Costs)(Pension)	14	(73,000)	(45,000)
		<u>(304,135)</u>	<u>(356,810)</u>
Surplus on Ordinary Activities Before		603,153	74,198
Taxation on ordinary activities for year			
Surplus/(Deficit) for the year after taxation		<u>603,153</u>	<u>74,198</u>
Other Comprehensive Income		618,000	(1,548,941)
TOTAL COMPREHENSIVE INCOME		<u>1,221,153</u>	<u>(1,474,743)</u>

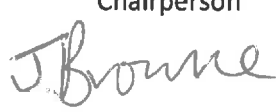
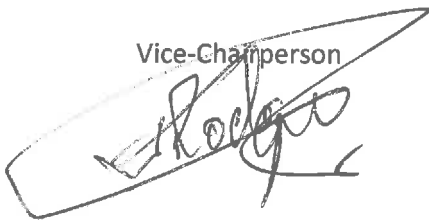
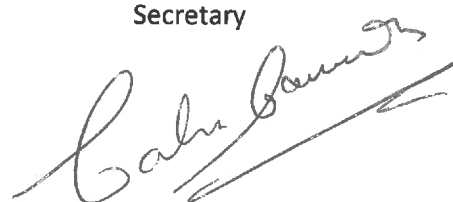
OTHER COMPREHENSIVE INCOME AS AT 31ST MARCH 2016

		As Restated
	2016	2015
	£	£
Actuarial Gain/(loss) in respect of Pension Scheme	618,000	(504,000)
Deficit on Revaluation of Housing Properties	-	(1,044,941)
	<u>618,000</u>	<u>(1,548,941)</u>

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2016

	Note	2016 £	Restated 2015 £
Non-Current Assets			
Housing Properties – Depreciated Cost		18,507,355	18,156,850
Community Link Office	10	58,419	59,879
Other Fixed Assets		10,835	16,102
		<u>18,576,609</u>	<u>18,232,831</u>
Current Assets			
Debtors	11	339,236	137,734
Cash at Bank and in Hand		<u>1,382,383</u>	<u>1,512,096</u>
		1,721,619	1,649,830
Creditors: amounts falling due within one year	12	<u>(841,130)</u>	<u>(739,623)</u>
Net Current Assets/(Liabilities)		880,489	910,207
Total Assets less Current Liabilities		<u>19,457,098</u>	<u>19,143,038</u>
Creditors: amounts falling due after more than one year	13	(8,037,272)	(8,399,362)
Pension (Liability)/Asset	14	<u>(370,000)</u>	<u>(915,000)</u>
Net Assets		<u>11,049,826</u>	<u>9,828,676</u>
Equity			
Share capital	15	109	112
Revenue reserve		<u>11,049,717</u>	<u>9,828,564</u>
		<u>11,049,826</u>	<u>9,828,676</u>

The Financial Statements were approved by the Board of Management on 26 May 2016 and signed on their behalf by:

Chairperson	Vice-Chairperson	Secretary
		

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31ST MARCH 2016

		2016 £	2015 £
Net cash inflow from operating activities	Note 16a	1,393,612	1,025,668
Investing Activities			
Acquisition & Construction of Properties	(958,094)	(1,989,360)	
Payments to acquire other fixed assets	(2,438)	(11,983)	
Social housing grant receivable	-		
Net proceeds on disposal of properties	11,302	87,370	
Loss on disposal of other fixed assets			
Net cash Outflow from Investing Activities		(949,230)	(1,913,973)
Finance Activities			
Interest received on cash and cash equivalents	8,834	6,597	
Interest paid on loans	(231,568)	(271,417)	
Issue of long term loan		1,500,000	
Loan principle repayments	(351,364)	(309,830)	
Share Capital issued	3	1	
Net cash Outflow from Financing		(574,095)	925,351
Net Increase/(Decrease) in Cash	16b	(129,713)	37,046
Opening Cash & Cash Equivalents	16b	1,512,096	1,475,050
Closing Cash & Cash Equivalents	16b	<u>1,382,383</u>	<u>1,512,096</u>

STATEMENT OF CHANGES IN EQUITY 31ST MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 st April 2015	112	9,828,564	9,828,676
Issue of Shares	3		3
Cancellation of Shares	(6)		(6)
Surplus for Year		1,221,153	1,221,153
Balance as at 31 st March 2016	<u>109</u>	<u>11,049,717</u>	<u>11,049,826</u>

NOTES TO THE FINANCIAL STATEMENT FOR YEAR ENDED 31ST MARCH 2016**1) Principal Accounting Policies****Statement of Compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 – ‘The financial reporting Standard applicable in the UK and Republic of Ireland’ and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Revenue

Revenue comprises rental and service charge income net of losses from voids, factoring fees and any revenue grants receivable.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Valuation of Housing Properties

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Completed housing properties are professionally valued on an existing use basis. Surpluses and deficits are reflected in the revaluation reserve. Permanent diminutions in value of housing property are eliminated first against any revaluation reserve in respect of that property with any excess being charged in the income and expenditure account. Depreciation is charged on a straight line basis over the expected useful lives of the individual components of individual properties. The components and their expected useful lives are as follows:-

Buildings	50 years	Roof	40 years	Doors	25 years
Windows	20 years	Radiators	20 years	Boilers	15 years
Bathrooms	25 years	Kitchens	15 years		

Sales of Housing Properties

Disposals of housing property under the Right to Buy scheme are treated as a non-current disposal and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Depreciation and Impairment of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life.

Furniture, Fittings	20% reducing balance
Office Equipment and IT	25% reducing balance
Community Link Project	2% straight line

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and other grants in Advance/Arrears.

Social Housing Grants and other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Pension

The Association participates in the centralised Strathclyde Pensions Trust defined benefits pension scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating employers taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's Statement of Financial Position as a pension scheme liability.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board to exercise judgement in applying ANCHO's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears – Bad debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Apportionment of Management Expenses

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

Allocation of Homeowner Income

Monies charged to homeowners for common feu maintenance and insurance is credited into the Statement of Comprehensive Income within the accounting period in which it relates.

Key Judgements made in the application of Accounting Policies

a) *Exemptions taken in the transition to FRS 102*

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) *The Categorisation of Housing Properties*

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

c) *Identification of cash generating units*

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

Financial Instruments – basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard. The Association's debt instruments are measured at amortised cost using the effective interest rate method.

2) Particulars of Turnover, Operating Costs and Operating Surpluses

2016	Revenue	Operating Costs	Operating Surplus
	£	£	£
Social Lettings	2,730,945	1,986,774	744,171
Other Activities	380,257	217,140	163,117
Total	3,111,202	2,203,914	907,288

2015	Revenue	Operating Costs	Operating Surplus
	£	£	£
Social Lettings	2,648,939	2,249,591	399,348
Other Activities	237,882	206,222	31,660
Total	2,886,821	2,455,813	431,008

3) Particulars of Income & Expenditure from Social Lettings

	General Needs Housing	Supported Housing Accom	Shared Housing Accom	Total for 2016	Restated Total for 2015
	£	£	£	£	£
Revenue from Lettings					
Rent Receivable net of service charges	2,754,454	-	-	2,754,454	2,683,685
Service Charges	-	-	-	-	-
Gross Rents receivable	2,754,454	-	-	2,754,454	2,683,685
Less voids	(23,509)	-	-	(23,509)	(34,746)
Net Rents receivable	2,730,945	-	-	2,730,945	2,648,939
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total Income from Social Letting	2,730,945	-	-	2,730,945	2,648,939
Expenditure on Social Letting Activities					
Management & Maint Admin costs	831,841	-	-	831,841	893,579
Planned, cyc & Major Repair costs	125,466	-	-	125,466	96,426
Reactive maintenance costs	427,534	-	-	427,534	497,745
Bad Debts, rents & service charges	12,587	-	-	12,587	19,378
Depreciation of Social Housing	589,346	-	-	589,346	742,463
Operating costs for Social Letting	1,986,774	-	-	1,986,774	2,249,591
Operating surplus for social lettings for 2016	744,171	-	-	744,171	-
Operating surplus for social lettings 2015	399,348	-	-	-	399,348

a) Particulars of Revenue, Operating Costs & Surpluses/Deficits from Other Activities

	Grants from Scottish Ministers	Other Revenue Grants	Big Lottery Grants	Other Income	Total Turnover	Operating costs	Other Operating costs	Operating Surplus/ (Deficit) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Wider Role Activities	83,312	-	86,662	-	169,974	166,489	-	3,485	(473)
Factoring	-	-	-	13,035	13,035	29,239	-	(16,204)	(17,530)
Development Activities	-	159,973	-	-	159,973	-	-	159,973	50,894
Support Activities – medical	19,985	-	-	-	19,985	21,412	-	(1,427)	-
Care Activities	-	-	-	-	-	-	-	-	-
Rechargeable Repairs	-	-	-	863	863	-	-	863	-
Other Activities -	-	-	-	16,427	16,427	-	-	16,427	(1,231)
Total from Other Activities 2016	103,297	159,973	86,662	30,325	380,257	217,140	-	163,117	-
Total from Other Activities 2015	72,903	69,964	81,116	13,899	237,882	206,222	-	-	31,660

Other Activity of £16,427 include £13,639 reimbursement of salary costs for North Ayrshire modern apprentice scheme .

4) Directors Emoluments

The remuneration paid to the Directors (defined as the Board of Management, the Director and other senior staff members whose total emoluments individually exceed £60,000 per year) of the Association were:

	2016	2015
	£	£
Total Emoluments (excluding pension contribution)	66,633	68,619
Pension contributions for Officers receiving > £60,000	12,288	11,177
The emoluments (excluding pension contributions) of the Chairman amounted to	Nil	Nil
 Total Compensation paid to key management personnel	 123,531	 124,559
	2016	2015
Total Emoluments		
£60,000 - £70,000	1	1

5) Employee Information

	2016	2015
	£	£
Staff costs (including Directors emoluments)		
Wages and salaries	511,253	541,429
Social security costs	44,262	47,281
Employers Pension Contributions (Note 12)	81,763	83,074
	<u>637,278</u>	<u>671,784</u>

The average weekly number of persons employed by the Association during the year were as follows:

	2016	2015
Housing staff	3	4
Maintenance staff	3	3
Administrative and Finance staff	4	4
Wider Action staff	4	5
Caretaking staff	3	2
Total	<u>17</u>	<u>18</u>

6) Sale of Housing Properties

	2016	2015
	£	£
Sale proceeds	12,250	89,000
Less: cost of sales and disposal of Redburn	(3,849)	(135,990)
	<u>(8,401)</u>	<u>(46,990)</u>

Two properties were sold under Right to Buy legislation. Cost of sales of these properties is inclusive of the property valuation less depreciation together with legal and other costs incidental to the sale.

7) Interest Payable & Similar Charges

	2016	2015
	£	£
On bank loans & Overdrafts	231,568	271,417

8) Surplus for the year

	2016	2015
	£	£
Surplus is stated after charging:		
Depreciation - Tangible Fixed Assets	597,051	742,463
Loss on Disposal of Fixed Assets	(8,401)	(46,990)
Operating Lease Rental - office	27,500	33,000
Operating Lease Rental - vans	6,350	6,771
Auditors' Remuneration	7,590	7,868

9) Taxation

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

10) Non Current Assets

	Housing Properties Held For Letting	Community Link Project	Total
	£	£	£
<u>Cost/Valuation</u>			
At 1 April 2015	18,156,850	73,019	18,229,869
Additions during the year	958,094	-	958,094
Disposals during the year	(20,638)	-	(20,638)
At 31 March 2016	19,094,306	73,019	19,167,325
<u>Depreciation</u>			
At 1 April 2015	-	13,140	13,140
Provided during the year	587,886	1,460	589,346
Disposals during the year	(935)	-	(935)
At 31 March 2016	586,951	14,600	601,551
<u>Net Book Value</u>			
As at 31 March 2016	18,507,355	58,419	18,565,774
As at 31 March 2015	18,156,850	59,879	18,216,729

All land and housing properties are freehold.

The Association's Lenders have standard securities over Housing Property with a carrying value of £17,806,162.

The Association clarifies its cash generating units in terms of the property schemes that it uses for asset management purposes.

10) Non Current Assets (continued)**Other Tangible Assets**

	Office Equipment & IT £	Furniture & Fittings £	Total £
<u>Cost/Valuation</u>			
At 1 April 2015	315,189	60,846	376,035
Additions during the year	-	2,438	2,438
Disposals during the year	-	-	-
At 31 March 2016	315,189	63,284	378,473
<u>Depreciation</u>			
At 1 April 2015	299,769	60,164	359,933
Provided during the year	6,990	715	7,705
Disposals during the year	-	-	-
At 31 March 2016	306,759	60,879	367,638
<u>Net Book Value</u>			
As at 31 March 2016	8,430	2,405	10,835
As at 31 March 2015	15,420	682	16,102

11) Debtors

	2016	2015
	£	£
Amounts falling due within one year:		
Rents in arrears	72,053	53,514
Less: bad debt provision	(33,905)	(33,905)
Factoring arrears	15,815	13,370
Prepayments and other receivables	285,273	104,755
	<u>339,236</u>	<u>137,734</u>

12) Creditors due within one year

	2016	2015
	£	£
Housing Loans	392,531	381,804
Trade creditors	76,743	72,366
Rents in advance and homeowner floats	74,684	40,141
Accruals and deferred income	297,172	245,312
	<u>841,130</u>	<u>739,623</u>

13) Creditors due after one year

	2016	2015
	£	£
Facility Loan	<u>8,037,272</u>	<u>8,399,362</u>

The Dunfermline Building Society holds a standard security on 497 of the Association's 676 properties and the Clydesdale holds a standard security on 14 properties. Conditions of which are as follows:

Lender	Security	Effective Int Rate	Maturity	Variable/fixed
Dunfermline	497 properties	1.34%	2030	Variable
Dunfermline	n/a	4.0%	2036	Fixed
Dunfermline	n/a	4.12%	2036	Fixed
Clydesdale	14 properties	2.14%	2030	Variable

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loan.

14) Retirement Benefit Obligations

The Association contributes to Strathclyde Pension Fund administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method.

The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:-

	2016	2015
Latest actuarial date	31 March 2016	31 March 2015
Inflation / Pension Increase Rate	2.2%	2.5%
Salary scale increases per annum	4.2%	4.4%
Discount rate	3.6%	3.3%

The estimated split of assets in the scheme and expected rate of return were:-

	2016	2015
Equities	72%	75%
Bonds	16%	13%
Property	12%	11%
Case	0%	1%

	2016	2015
	£	£
Estimated employer asset share	<u>3,282,000</u>	<u>3,105,000</u>
Present value of scheme liabilities	(3,652,000)	(4,020,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	<u>(370,000)</u>	<u>(915,000)</u>
Net Pension (Liability)/Asset	<u>(370,000)</u>	<u>(915,000)</u>

Analysis of amount charged to operating profit	2016
	£
Service costs	124,000
Interest income on plan assets	-
Curtailment and settlements	-
Decrease in irrecoverable surplus	-
Total operating charge	124,000

Analysis of amount credited to other finance income	2016
	£
Interest Income on Plan Assets	104,000
Interest on pension scheme liabilities	(135,000)
Total Net interest	(31,000)
Total defined benefit cost in Profit & Loss	£155,000

Analysis of recognised Comprehensive Income	2016
	£
Actual return less expected return on pension scheme assets	(22,000)
Experience gains and losses arising on the scheme liabilities	-
Changes in financial assumptions underlying the present	640,000
Changes in demographic assumptions	-
Value of the scheme assets	-
Actual gain/(loss) in pension plan	618,000
Increase in irrecoverable surplus from the membership fall and other factors	-
Actuarial gain/(loss) recognised in Comprehensive Income	545,000

Movement in surplus during the year	2016
	£
Deficit at beginning of year	(915,000)
Current service cost	(124,000)
Employers contributions	82,000
Past service costs	-
Estimated Benefits paid	-
Net returns on assets	(31,000)
Actuarial gain/(loss)	618,000
(Deficit)/Surplus at end of year	(370,000)

Increase in service costs of £73,000 plus actuarial gain of £618,000, decrease in liability for year of £545,000

History of Experience Gains and Losses**2016**

	£
Fair value of Employer Assets	3,105,000
Present Value of Defined Benefit Obligation	(4,020,000)
Surplus / (Deficit)	(915,000)
Experience Gains /(losses) on Assets	445,000
Experience Gains /(Losses on Liabilities)	(994,000)

15) Share Capital

	2016	2015
	£	£
Shares of £1 fully paid and issued at beginning of year	112	104
Shares issued during year	3	8
Shares cancelled during the year	(6)	-
Shares issued at end of year	<u>109</u>	<u>112</u>

Each member of the Association holds one £1 share in the Association. These shares carry no right to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

16) Statement of Cash Flows

	2016	2015
	£	£
a) Reconciliation of operating surplus to balance as At 1st April 2016		
Operating Surplus/(Deficit)	907,288	432,182
Depreciation	597,051	742,463
(Increase)Decrease in debtors	(201,502)	8,278
(Decrease)/Increase in creditors	90,781	(157,255)
Shares cancelled during the year	(6)	-
Balance as at 1 st April 2016	<u>1,393,612</u>	<u>1,025,668</u>

17) Commitments Under Operating Leases

At the period end the annual commitments under operating leases were as follows:

	2016	2015
	£	£
Photocopier - expiring in 2-5 years	8,433	2,811
Office premises - expiring within 2-5 years	78,000	33,500

18) Capital Commitments

	2016	2015
	£	£
Expenditure authorised by the Board of Management. Expenditure is funded from existing resources.	880,000	893,174

19) Unit Numbers

	2016	2015
Housing properties	676	677
Garage units	205	205
	<u>881</u>	<u>882</u>

Transition to the Financial Reporting Standard

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves as at 2015

	Note	As Previously Stated	Effect of Transition	As Restated
		£	£	£
Non Current Assets	(1)	18,184,749	48,082	18,232,831
Current Assets		1,649,830	-	1,649,830
Current Liabilities		(739,623)	-	(739,623)
Non Current Liabilities		(9,314,362)		(9,314,362)
		9,780,594	48,082	(9,828,676)
Share Capital		(112)		(112)
Revenue Reserve		(3,304,435)	(6,524,129)	(9,828,564)
Revaluation Reserve		(6,476,047)	6,476,047	-
		9,780,594	-	9,828,676

Reconciliation of Capital & Reserves as at 2014

	Note	As Previously Stated	Effect of Transition	As Restated
		£	£	£
Non Current Assets	(1)	18,105,172	49,256	18,154,428
Current Assets		1,621,062	-	1,621,062
Current Liabilities		(838,029)	-	(838,029)
Non Current Liabilities		(7,634,043)		(7,634,043)
		11,254,162	49,256	11,303,418
Share Capital		111		112
Revenue Reserve		(3,552,169)	(7,751,138)	(11,303,309)
Revaluation Reserve		(7,701,882)	7,701,882	-
		11,254,162	-	11,303,418

Reconciliation of Retained Surplus for the year ended 31 March 2015

	Note	As Previously Stated	Effect of Transition	As Restated
		£		£
Revenue		2,886,821		2,886,821
Operating Cost	(1)	(2,454,639)	(1,174)	(2,455,813)
Loss on Disposal		(46,990)	-	(46,990)
Interest Receivable		6,597	-	6,597
Other Cost		(45,000)		(45,000)
Interest Payable		(271,417)		(271,417)
Surplus before Tax		75,372	(1,174)	74,198

Notes to Reconciliations

- i) Non housing grants have been accounted for in accordance with FRS102 which means that grants are no longer deducted from the cost of the asset. The amount of the grant was released to revenue and depreciation charge is based upon cost as opposed to cost less grant
- ii) The revaluation reserve was transferred to the revenue reserve. In terms of the constitution of the Association revenue reserves are non distributable. The housing property at fair value, as valued by Jones Lang Lasalle at the transition date.