

**CALVAY HOUSING ASSOCIATION**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

Registered Housing Association Number: HAC 80  
FCA Reference Number: 2194R (S)  
Scottish Charity Registration Number: SC039234

# CALVAY HOUSING ASSOCIATION

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## CALVAY HOUSING ASSOCIATION

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### THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2017

#### MEMBERS OF THE MANAGEMENT COMMITTEE

Pauline Barr	(Chairperson)	
Alison A'Hara	(Vice Chair)	
Janet Martin	(Treasurer)	
Rosemarie Lindsay	(Committee Member)	
Annie Robertson	(Committee Member)	
Sandra McIlroy	(Committee Member)	
Wilma Running	(Committee Member)	
Anna Ellis	(Secretary)	
Peter Howden	(Committee Member)	
Rebecca Howden	(Committee Member)	
Mima Bell	(Committee Member)	
Linda Dick	(Committee Member)	(Elected 15.09.16)
Billy McIlroy	(Committee Member)	(Elected 15.09.16)

#### EXECUTIVE OFFICERS

Michael Dawson	(Director)
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#### REGISTERED OFFICE

16 Calvay Road  
Glasgow  
G33 4RQ

#### AUDITORS

French Duncan LLP  
Chartered Accountants  
Statutory Auditors  
133 Finnieston Street  
Glasgow  
G3 8HB

#### BANKERS

The Royal Bank of Scotland  
1304 Duke Street  
Glasgow  
G31 5PZ

#### SOLICITORS

TC Young  
7 West George Street  
Glasgow  
G2 1BA

**REPORT FROM THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2017**

The Management Committee presents their report and the Financial Statements for the year ended 31st March 2017.

**Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2194R (S). The Association is governed under its Rule Book. The Association is a Registered Scottish Charity with the charity number SC039234.

**Principal Activities**

The principal activity of the Association is the provision of social housing.

**Review of business and future developments**

**Current Year**

The Committee is satisfied with the Association's performance during the year. The surplus for the year was £1,503,066 (2016 - £757,886). The Association's net current assets at 31 March 2017 were £3,349,213 (2016- £3,348,459). All figures have been stated under the new FRS102 accounting format.

The Association had successfully acquired 384 houses from the Glasgow Housing Association (GHA) at an agreed valuation of £2.49m during 2011/12. The subsequent programme of buy backs and demolition has consolidated this additional housing stock at 310 houses. Further investment in the stock will take place over the coming years.

To finance the above acquisition the Association negotiated a new business loan from Clydesdale Bank Ltd in the sum of £7.19m. This loan was used to acquire the GHA houses, plus the owners buy backs, and pay for the subsequent demolition of the 74 standard homes in June 2012. The Fixed element of this loan (£3.255m) which matured in June 2016, has been renewed for a further five years at a fixed rate of 2.405% per annum. The resultant annual reduction in interest, approximately £60k, will be channelled into the fabric of the housing stock over the fixed period of this loan.

During 2016/17 the Association made the conscious decision to repay over £0.5m of Loans due to the Nationwide Building Society, with a further commitment to redeem the rest of the Nationwide loan portfolio (c.£345k) during 2017/18, thereby helping to reduce the upward pressure on future rent levels.

**The Future**

During the coming financial year the Association intends to replace external windows and central heating systems to approximately 100 units across the ex GHA stock at a cost of £365k. Bathrooms and Kitchens at Calvay Crescent is also scheduled for renewal in the coming year at a cost of £239k. £76k has also been set aside for electrical upgrades to void properties. A complete renewal of the central heating system at Burmmouth Court at a cost, after grant, of £86k was completed during 2016/17.

There are tentative discussions with Glasgow City Council to develop some vacant sites within the Calvay area of operation. The proposals are very skeletal at this stage but may firm up during the next financial year.

**Management Committee and Executive Officers**

The members of the Management Committee and the Executive Officers are listed on Page 3.

**REPORT FROM THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**Statement of Management Committee's responsibilities**

The Co-operative and Community Benefit Act 2014 requires the Management Committee 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 surplus or deficit of the Association for that year. In preparing those Financial Statements, the Management Committee is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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 Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 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 Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee 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 Association's auditors are unaware, and
- The Management Committee 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.

**REPORT FROM THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**Statement on Internal Financial Control**

The Management Committee 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;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being 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 Management Committee;
- The Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

CALVAY HOUSING ASSOCIATION

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**REPORT FROM THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**Auditors**

A resolution to re-appoint the auditors, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting

**By order of Management Committee**



Anna Ellis, Secretary  
17 August 2017

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF CALVAY HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in 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 relating 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 page 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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 Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee'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 within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



**French Duncan LLP**  
Chartered Accountants  
Statutory Auditors  
133 Finnieston Street  
Glasgow  
G3 8HB

Date: 13/09/2017



## **CALVAY HOUSING ASSOCIATION**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALVAY HOUSING ASSOCIATION**

We have audited the financial statements of Calvay Housing Association for the year ended 31 March 2017 which comprise an income and expenditure account, balance sheet, 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 United Kingdom Accounting Standards including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' 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 MANAGEMENT COMMITTEE AND AUDITORS**

As explained more fully in the Statement of the Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that 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's) Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT ON 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 Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in The Management Committee's report 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 THE 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 2017 and of its surplus 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, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

**CALVAY HOUSING ASSOCIATION**

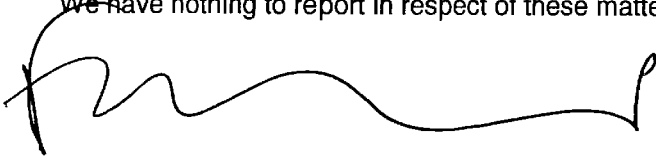
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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters



**French Duncan LLP**  
Chartered Accountants  
Statutory Auditors  
133 Finnieston Street  
Glasgow  
G3 8HB

Date: 13/09/2017

CALVAY HOUSING ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	£	2017 £	£	2016 £
<b>REVENUE</b>	2.		3,692,093		3,589,477
Operating Costs	2.		(2,436,331)		(2,600,171)
<b>OPERATING SURPLUS</b>			<u>1,255,762</u>		<u>989,306</u>
Gain on Sale of Housing Stock	7.	43,314		10,374	
Interest Receivable and Other Income		13,416		13,855	
Interest Payable and Similar Charges	8.	(175,426)		(237,649)	
Other Finance Charges	11	(18,000)		(18,000)	
			<u>(136,696)</u>		<u>(231,420)</u>
<b>SURPLUS FOR THE YEAR</b>	9.		1,119,066		757,886
<b>OTHER COMPREHENSIVE INCOME</b>					
SHAPS Deficit Valuation adjustment	22		384,000		-
<b>TOTAL INCOME FOR THE YEAR</b>			<u>1,503,066</u>		<u>757,886</u>

The notes on pages 15 to 28 form part of these financial statements.

CALVAY HOUSING ASSOCIATION

**BALANCE SHEET  
AS AT 31 MARCH 2017**

	Notes	2017	2016
		£	£
<b>FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	12.(a)	26,744,568	27,051,501
Other Fixed Assets	12.(b)	792,218	812,768
		<u>27,536,786</u>	<u>27,864,269</u>
<b>CURRENT ASSETS</b>			
Debtors	13.	268,861	365,824
Cash at bank and in hand		3,676,502	3,629,500
		<u>3,945,363</u>	<u>3,995,324</u>
<b>CREDITORS: Amounts falling due within one year</b>	14.	(596,150)	(646,865)
<b>NET CURRENT ASSETS</b>		<u>3,349,213</u>	<u>3,348,459</u>
		<u>30,885,999</u>	<u>31,212,728</u>
<b>CREDITORS: Amounts falling due after more than one year</b>			
Housing Property Loans	15.	(6,523,248)	(7,259,024)
Retirement Benefit Scheme Deficit	15.	(314,000)	(749,000)
<b>DEFERRED INCOME</b>			
Social Housing Grants	17.	(16,225,979)	(16,884,998)
<b>NET ASSETS</b>		<u>7,822,772</u>	<u>6,319,706</u>
<b>EQUITY</b>			
Share Capital	18.	55	55
Revenue Reserves		7,822,717	6,319,651
		<u>7,822,772</u>	<u>6,319,706</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 17 August 2017.



Rebecca Howden  
Committee Member



Pauline Barr  
Chairperson



Anna Ellis  
Secretary

The notes on pages 15 to 28 form part of these financial statements.

**CALVAY HOUSING ASSOCIATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2017		2016	
		£	£	£	£
<b>Net Cash Inflow from Operating Activities</b>	16.		1,763,188		1,241,414
<b>Investing Activities</b>					
Acquisition and Construction of Properties		(620,559)		(431,816)	
Purchase of Other Fixed Assets		-		(25,452)	
Social Housing Grant Received		-		157,595	
Social Housing Grant Repaid		(138,090)		(21,852)	
Proceeds on Disposal of Properties		91,405		35,134	
<b>Net Cash Outflow from Investing Activities</b>			(667,244)		(286,391)
<b>Financing Activities</b>					
Interest Received on Cash and Cash Equivalents		13,416		13,855	
Interest Paid on Loans		(175,426)		(237,649)	
Movement in short term borrowings		(151,156)		4,798	
Movement in long term borrowings		(735,776)		(211,056)	
Share Capital Issued		-		(2)	
<b>Net Cash (Outflow) from Financing</b>			(1,048,942)		(430,054)
<b>Increase in Cash</b>			47,002		524,969
<b>Opening Cash &amp; Cash Equivalents</b>			3,629,500		3,104,531
<b>Closing Cash &amp; Cash Equivalents</b>			3,676,502		3,629,500

The notes on pages 15 to 28 form part of these financial statements.

**CALVAY HOUSING ASSOCIATION**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>Share Capital £</b>	<b>Revenue Reserve £</b>	<b>Total £</b>
<b>Balance as at 1 April 2016</b>	55	6,319,651	6,319,706
Issue of Shares	3	-	3
Cancellation of Shares	(3)	-	(3)
SHAPS Deficit Valuation	-	384,000	384,000
Surplus for Year	-	1,119,066	1,119,066
<b>Balance as at 31 March 2017</b>	<b><u>55</u></b>	<b><u>7,822,717</u></b>	<b><u>7,822,772</u></b>

	<b>Share Capital £</b>	<b>Revenue Reserve £</b>	<b>Total £</b>
<b>Balance as at 1 April 2015</b>	57	5,561,765	5,561,822
Issue of Shares	2	-	2
Cancellation of Shares	(4)	-	(4)
Surplus for Year	-	757,886	757,886
<b>Balance as at 31 March 2016</b>	<b><u>55</u></b>	<b><u>6,319,651</u></b>	<b><u>6,319,706</u></b>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

**1 PRINCIPAL ACCOUNTING POLICIES**

**Statement of Compliance**

These financial statements were 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

**Going Concern**

The Management Committee have assessed the Association's ability to continue as a going concern and have reasonable expectations that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

**Revenue**

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised as expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

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

**Retirement Benefits**

The Association participates in the Scottish Housing Association 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 in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Balance Sheet. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

**Valuation of Housing Properties**

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	50 years
Bathrooms	30 years
Windows	25 years
Kitchens	15 years
Central Heating	15 years

Shared ownership properties are depreciated over 50 years.

**Depreciation and Impairment of Other Non-Current Assets**

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	- over 50 years
Land	- not depreciated
Commercial premises	- over 30 years
Fixtures & fittings	- over 5 years

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

**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 Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same year 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.

**Sales of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

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

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

**Estimation Uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association'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 Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

**Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

**Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

**Key Judgements made in the application of Accounting Policies**

*a) The Categorisation of Housing Properties*

In the judgement of the Management Committee 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.

*b) Identification of cash generating units*

The Association considers its cash-generating units to be the scheme 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

CALVAY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2017			2016		
		Revenue £	Operating Costs £	Operating Surplus / (Deficit) £	Revenue £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,651,184	(2,379,982)	1,271,202	3,553,424	(2,548,131)	1,005,293
Other Activities	4.	40,909	(56,349)	(15,440)	36,053	(52,040)	(15,987)
<b>Total</b>		<b>3,692,093</b>	<b>(2,436,331)</b>	<b>1,255,762</b>	<b>3,589,477</b>	<b>(2,600,171)</b>	<b>989,306</b>

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2017 Total £	2016 Total £
<b>Revenue from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	2,852,896	124,229	40,552	3,017,677	2,997,588
Service Charges Receivable	-	-	-	-	-
<b>Gross Rents Receivable</b>	<b>2,852,896</b>	<b>124,229</b>	<b>40,552</b>	<b>3,017,677</b>	<b>2,997,588</b>
Less: Rent losses from voids	(8,581)	(368)	-	(8,949)	(8,211)
<b>Net Rents Receivable</b>	<b>2,844,315</b>	<b>123,861</b>	<b>40,552</b>	<b>3,008,728</b>	<b>2,989,377</b>
Amortisation of Social Housing Grants and Other Grants	625,429	-	-	625,429	545,552
Revenue Grants From Local Authorities and Other Agencies	17,027	-	-	17,027	18,495
<b>Total Income From Social Letting</b>	<b>3,486,771</b>	<b>123,861</b>	<b>40,552</b>	<b>3,651,184</b>	<b>3,553,424</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	-	-	-	-	-
Management and maintenance administration costs	879,748	37,299	-	917,047	874,610
Reactive Maintenance	216,660	12,499	-	229,159	336,435
Bad Debts - Rents and Service Charges	10,178	437	-	10,615	24,906
Planned and Cyclical Maintenance, including Major Repairs	166,442	7,146	-	173,588	336,080
Depreciation of Social Housing	831,316	36,202	11,883	879,401	762,697
Direct Services	147,590	22,582	-	170,172	213,403
<b>Operating Costs of Social Letting</b>	<b>2,251,934</b>	<b>116,165</b>	<b>11,883</b>	<b>2,379,982</b>	<b>2,548,131</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,234,837</b>	<b>7,696</b>	<b>28,669</b>	<b>1,271,202</b>	<b>1,005,293</b>
<b>2016</b>	<b>963,062</b>	<b>2,901</b>	<b>39,330</b>	<b>1,005,293</b>	

CALVAY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	20,109	20,109	-	(36,331)	(16,222)	(15,915)
Development Activities	-	-	-	-	-	-	(9,070)	(9,070)	(7,893)
Factoring Services	-	-	-	20,800	20,800	-	(10,948)	9,852	7,821
<b>Total From Other Activities</b>	-	-	-	40,909	40,909	-	(56,349)	(15,440)	(15,987)
<b>2016</b>	-	-	-	36,053	36,053	-	(52,040)	(15,987)	

# CALVAY HOUSING ASSOCIATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

**2017**      **2016**  
£                      £

No emoluments have been paid to any member of the Management Committee

Aggregate emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	<u>63,253</u>	<u>62,698</u>
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Emoluments payable to the Director/Chief Executive (excluding pension contributions)	<u>63,253</u>	<u>62,698</u>
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Pension contributions paid on behalf of the Director	<u>7,753</u>	<u>7,677</u>
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Total number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

£60,001 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	<u>-</u>	<u>-</u>

There was £477 paid to board members during the year for reimbursement of expenses (2016-£686)

#### 6. EMPLOYEE INFORMATION

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of full time equivalent persons employed during the year was	<u>17</u>	<u>16</u>

The average total number of Employees employed during the year was	<u>17</u>	<u>16</u>
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Staff Costs were:	£	£
Wages and Salaries	534,282	521,779
Social Security Costs	55,440	46,768
Pension Costs	48,292	35,453
Other Pension Costs – impact of change in assumptions	11,000	(3,000)
	<u>649,015</u>	<u>601,000</u>

# CALVAY HOUSING ASSOCIATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	91,405	32,500
Cost of Sales	<u>(48,091)</u>	<u>(22,126)</u>
Gain on Sale of Housing Stock	<u>43,314</u>	<u>10,374</u>

#### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
On Housing Loans	<u>175,426</u>	<u>237,649</u>
	175,426	237,649
Less: Interest Capitalised	<u>-</u>	<u>-</u>
	<u>175,426</u>	<u>237,649</u>

#### 9. SURPLUS FOR THE YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	899,951	783,247
Auditors' Remuneration - Audit Services	9,000	9,000
- Other Services	1,000	1,000
Gain on sale of fixed assets	<u>43,314</u>	<u>10,374</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

#### 11. OTHER FINANCE INCOME/CHARGES

	2017	2016
	£	£
Unwinding of discount on pension liability	<u>18,000</u>	<u>18,000</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

12. FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting	Housing Properties Under Construction	Completed Shared Ownership Properties	Total
	£	£	£	£
<b>COST</b>				
As at 1 April 2016	36,365,247	-	735,955	37,101,202
Additions	620,559	-	-	620,559
Disposals	(479,745)	-	-	(479,745)
As at 31 March 2017	<u>36,506,061</u>	<u>-</u>	<u>735,955</u>	<u>37,242,016</u>
<b>DEPRECIATION</b>				
As at 1 April 2016	9,835,744	-	213,957	10,049,701
Charge for Year	867,518	-	11,883	879,401
Disposals	(431,654)	-	-	(431,654)
As at 31 March 2017	<u>10,271,608</u>	<u>-</u>	<u>225,840</u>	<u>10,497,448</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2017	<u>26,234,453</u>	<u>-</u>	<u>510,115</u>	<u>26,744,568</u>
As at 31 March 2016	<u>26,529,503</u>	<u>-</u>	<u>521,998</u>	<u>27,051,501</u>

Additions to housing properties includes capitalised development administration costs of £Nil (2016 - £Nil) and capitalised major repair costs to existing properties of £618,999 (2016 - £270,112).

All land and housing properties are heritable.

CALVAY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

12. FIXED ASSETS (Continued.)

b) Other Tangible Assets	Office Premises £	Land £	Commercial Premises	Fittings & Equipment £	Total £
<b>COST</b>					
As at 1 April 2016	717,277	15,060	186,116	-	918,453
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at 31 March 2017	<u>717,277</u>	<u>15,060</u>	<u>186,116</u>	-	<u>918,453</u>
<b>DEPRECIATION</b>					
As at 1 April 2016	28,183	-	77,502	-	105,685
Charge for Year	14,346	-	6,204	-	20,550
Disposals	-	-	-	-	-
As at 31 March 2017	<u>42,529</u>	<u>-</u>	<u>83,706</u>	-	<u>126,235</u>
<b>NET BOOK VALUE</b>					
As at 31 March 2017	<u>674,748</u>	<u>15,060</u>	<u>102,410</u>	-	<u>792,218</u>
As at 31 March 2016	<u>689,094</u>	<u>15,060</u>	<u>108,614</u>	-	<u>812,768</u>

# CALVAY HOUSING ASSOCIATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 13. DEBTORS

	2017	2016
	£	£
Arrears of Rent & Service Charges	298,970	355,749
Less: Provision for Doubtful Debts	(108,987)	(108,987)
	<u>189,983</u>	<u>246,762</u>
Other Receivables	78,878	119,062
	<u>268,861</u>	<u>365,824</u>

#### 14. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	210,209	209,250
Bank Overdraft	-	152,116
Trade Payables	105,586	108,457
Rent in Advance	11,268	8,483
Other Taxation and Social Security	14,018	12,956
Other Payables	89,573	28,080
Accruals and Deferred Income	88,496	61,523
Liability for Past Service Contribution arrangements	77,000	66,000
	<u>596,150</u>	<u>646,865</u>

#### 15. CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contribution Arrangements	314,000	749,000
Housing Loans	<u>6,523,248</u>	<u>7,259,024</u>
	<u>6,837,248</u>	<u>8,008,024</u>

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

Loans are secured by specific charges on the Association's properties. Loans are repayable at current rates of interest ranging from 0.93% to 9.2% (2016 – 0.93% to 9.2%) in instalments as follows:

	2017	2016
	£	£
Between one and two years	215,155	208,138
Between two and five years	638,061	628,690
In five years or more	5,670,032	6,422,196
	<u>6,523,248</u>	<u>7,259,024</u>



# CALVAY HOUSING ASSOCIATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 16. STATEMENT OF CASH FLOWS

*Reconciliation of operating surplus to net cash inflow from operating activities*

	2017 £	2016 £
Operating Surplus	1,255,762	989,306
Depreciation	899,951	783,247
Amortisation of Capital Grants	(520,929)	(545,552)
Change in debtors	96,963	(42,898)
Change in creditors	89,441	126,311
Gain on sale of fixed assets	-	-
Deficit contributions	(69,000)	(66,000)
Actuarial gains on Pension Liability	11,000	(3,000)
Share Capital Written Off	-	-
	<hr/>	<hr/>
Net cash inflow from operating activities	1,763,188	1,241,414

#### 17. DEFERRED INCOME

	2017 £	2016 £
<i>Social Housing Grants</i>		
Balance as at 1 <sup>st</sup> April 2016	16,884,998	17,294,807
Additions in year	-	157,595
Released / Repaid as the result of property disposal	(138,090)	(21,852)
Amortisation in Year	(520,929)	(545,552)
	<hr/>	<hr/>
Balance as at 31 <sup>st</sup> March 2017	16,225,979	16,884,998

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

18. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1 April 2016	55
Issued in year	3
Cancelled in year	(3)
	<hr/>
At 31 March 2017	55

The Association's shares carry no rights to a dividend or other distributions and are not repayable.

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
General Needs	798	801
Shared Ownership	20	20
Supported Housing	30	30
Other	1	1
	<hr/>	<hr/>
	849	852

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102

The related party relationships of the members of the Management Committee are summarised as:

- 9 Members are tenants of the Association
- 2 Members are factored owners
- 1 other Member
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members were as follows:

Rent Received from Tenants on the Committee	£ 35,175
Factoring Charges received from owners on the Committee	810

- At the year end total rent arrears owed by the tenant members of the Committee were £49.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

**21. DETAILS OF ASSOCIATION**

The Association is a Registered Society registered within the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 16 Calvay Road, Glasgow, G33 4RQ.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in Glasgow.

**22. RETIREMENT BENEFIT OBLIGATIONS**

**General**

The Association participates in the Scottish Housing Association Pension Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

From 1 April 2014 to 30 September 2027: £26,304,000 per annum (payable monthly, increasing by 3% each 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

From 1 April 2017 to 28 February 2022: £25,735,092 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 30 June 2025: £727,217 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 31 October 2026: £1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

**22. RETIREMENT BENEFIT OBLIGATIONS (continued)**

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £810m and indicated an increase in the shortfall of assets compared to liabilities to approximately £210m, equivalent to a past service funding level of 79%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £391,000 (2016 - £815,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.06%.

The Association made payments totalling £128,292 (2016: £98,453) to the pension scheme during the year.

As a result of the 2015 Actuarial Valuation the liability for the pension deficit was recalculated resulting in a significant reduction to the pension deficit liability of £384,000.