

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2016

Auditors

Armstrongs, Chartered Accountants
142 West Nile Street
Glasgow
G1 2RQ

Bankers

The Royal Bank of Scotland plc
2 Clarkston Road
Glasgow
G4 4EQ

Legal advisors

Messrs Brechin Tindal Oatts
Solicitors & Notaries
48 St Vincent Street
Glasgow
G2 5HS

Registered Office

3 Rhannan Road
Cathcart
Glasgow
G44 3AZ

Registration information

The Scottish Housing Regulator
Registered number:

Housing (Scotland) Act 2014
HAL 85

Financial Conduct Authority:

Co-operative and Community Benefit Societies Act 2014
Registration number MS1821RS

Recognised Scottish Charity:

SC037255

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2016

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2016.

Principal activities

The principal activities of the Association are the provision, construction, improvement and management of rented accommodation.

Review of the business and future developments

The results for the year are as shown in the attached Statement of Comprehensive Income. The surplus for the year was £377,833 (2015 restated - £312,438).

Changes in fixed assets

Details of changes in fixed assets are set out in Note 13.

The Committee of Management and Executive Officer

The Committee of Management and Executive Officer of the Association are as follows:-

Executive Officer

. Christine Leitch

Committee of Management

| | | | |
|-----------------|----------------------|-------------------------------------|---------------------|
| . A Brown | (Chairperson) | . Councillor Graham - | |
| . J. Ferguson | (Vice Chairperson) | Glasgow City Council Representative | |
| . J. Forrest | (Secretary) | . J. McMahon | |
| . G. Zangrande | | . M. McMillan | |
| . B. Strathearn | | . V. Kyle | |
| . C. Robb | | . E. Carter | |
| . J. Cosgrove | (Appointed 07.09.15) | . A. Wright | |
| . S. Harper | (Appointed 07.09.15) | . J. Perez | (Resigned 18.05.15) |
| . A. Penney | (Appointed 07.09.15) | . I. Ellis | (Resigned 23.06.15) |

At the annual general meeting one third of all serving members of the Committee will retire from office and may stand for re-election if eligible.

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and although not having the legal status of a director acts as an executive within the authority delegated by the Committee.

Charitable status

With effect from 7th November 2005 the Association obtained charitable status, and from that date is exempt from corporation tax.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2016

Statement of Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the 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 income and expenditure of the Association for the year ended on that date. In preparing these financial statements, the Committee is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business;
- Prepare a statement on internal financial control.

The Committee is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Association has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in 1992.

In accordance with the requirements of the Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Association's compliance with those paragraphs of the Code of Best Practice required to be reviewed by them. The auditors have also confirmed that, in their opinion, with respect to the Statement on Internal Financial Control on page four, the Management Committee have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Management Committee and such statement is not inconsistent with the information of which they are aware from their audit work on the financial statements.

Statement as to disclosure of information to Auditors

As far as the Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee 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 appoint the auditors, Armstrongs, will be proposed at the Annual General Meeting.

By order of the Committee

Secretary *John Forrest*

Dated : 16/08/2016

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

COMMITTEE STATEMENT ON THE ASSOCIATION'S

SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31ST MARCH 2016

The Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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;
- the safeguarding of assets (against unauthorised use or disposition).

It is the 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 misstatement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, 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 have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets 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 relevant sub-committees comprising Committee members and others;
- the Committee review reports from management, from directors, staff and from the external and internal 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 from the above reports.

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2016 and until the below date. 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 Auditor's Report on the financial statements.

By order of the Committee

Secretary 

Dated : 16/08/2016

REPORT BY THE AUDITORS TO THE COMMITTEE

ON CORPORATE GOVERNANCE MATTERS

FOR THE YEAR ENDED 31ST MARCH 2016

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee's statement on page three concerning the Association's compliance with the information required by the Regulatory Standards 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 Financial Reporting Council. 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 four has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice 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 Committee members and officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the Regulatory Standards contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Iain 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.

Dated : 12th September 2016

REPORT OF THE INDEPENDENT AUDITORS TO

THE MEMBERS OF CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Cathcart & District Housing Association Limited for the year ended 31st March 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014, and to the charity's trustees as a body, in accordance with Section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Committee and Auditors

As explained more fully in the Statement of Committee's Responsibilities set out on page three, the Committee 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's) 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 Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Committee 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 31st March 2016 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, Schedule 1, the Housing (Scotland) Act 2014, the Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, or the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Management Committee is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we 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.

Dated: 12th September 2016

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2016

| | Notes | 2016 £ | Restated 2015 £ |
|--|-------|-----------------------|-----------------------|
| Turnover | 2 | 2,073,795 | 2,008,312 |
| Operating costs | 2 | 1,630,135 | 1,527,204 |
| Operating surplus | 2 | <u>443,660</u> | <u>481,108</u> |
| Gain on disposal of property | 8 | 98,884 | 11,968 |
| Interest receivable and other income | 9 | 188 | 177 |
| Interest payable and similar charges | 10 | (151,899) | (160,815) |
| Other finance charges | 11 | (13,000) | (20,000) |
| Surplus before tax | | <u>377,833</u> | <u>312,438</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | <u><u>377,833</u></u> | <u><u>312,438</u></u> |

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST MARCH 2016

| | Notes | 2016 £ | Restated 2015 £ |
|---|-------|------------------|-----------------------|
| Fixed assets | | | |
| Tangible assets - social housing | 13a | 9,459,497 | 9,597,970 |
| Other tangible assets - plant and equipment | 13b | <u>202,704</u> | <u>204,268</u> |
| | | <u>9,662,201</u> | <u>9,802,238</u> |
| Current assets | | | |
| Debtors | 14 | 221,190 | 166,435 |
| Cash at bank and in hand | | <u>2,133,569</u> | <u>1,739,498</u> |
| | | <u>2,354,759</u> | <u>1,905,933</u> |
| Creditors: amounts falling due within one year | 15 | (622,279) | (464,569) |
| Net current assets | | <u>1,732,480</u> | <u>1,441,364</u> |
| Total assets less current liabilities | | 11,394,681 | 11,243,602 |
| Creditors : amounts falling due after more than one year | 16 | (4,971,045) | (5,197,802) |
| Net assets | | <u>6,423,636</u> | <u>6,045,800</u> |
| Equity | | | |
| Share capital | 19 | 108 | 105 |
| Revenue reserves | | 6,423,528 | 6,045,695 |
| | | <u>6,423,636</u> | <u>6,045,800</u> |

These financial statements were approved by the Committee on 16/05/2016 and signed on their behalf by:

Annette Brown Chairman

Majon McMillan Committee Member

John Janet Secretary

The notes form part of these financial statements.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2016

| | Share Capital £ | Revenue Reserve £ | Total £ |
|--|-----------------------|-------------------------|------------------|
| Balance as at 1st April 2015 | 105 | 6,045,695 | 6,045,800 |
| Issue of shares | 3 | - | 3 |
| Total comprehensive income | - | 377,833 | 377,833 |
| Balance as at 31st March 2016 | <u>108</u> | <u>6,423,528</u> | <u>6,423,636</u> |
| | | | |
| Balance as at 1st April 2014 | 114 | 5,733,257 | 5,733,371 |
| Issue of shares | 12 | - | 12 |
| Cancellation of shares | (21) | - | (21) |
| Total comprehensive income | - | 312,438 | 312,438 |
| Balance as at 31st March 2015 (restated) | <u>105</u> | <u>6,045,695</u> | <u>6,045,800</u> |

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2016

| | Notes | 2016 £ | Restated 2015 £ |
|---|-------|-------------------|-----------------------|
| Net cash inflow from operating activities | 1 | <u>687,040</u> | <u>608,153</u> |
| Cash flows from investing activities | | | |
| Payments to acquire and develop housing properties | | (81,484) | (281,396) |
| Proceeds from sale of tangible fixed assets | | 134,862 | 25,500 |
| Payments to acquire other fixed assets | | (14,232) | (7,428) |
| Interest received | | 188 | 177 |
| Net cash outflow from investing activities | | <u>39,334</u> | <u>(263,147)</u> |
| Cashflow from financing activities | | | |
| Interest paid | | (151,899) | (160,815) |
| Repayments of borrowings | | (176,719) | (341,206) |
| Issue of share capital | | 3 | 12 |
| Net cash outflow from financing activities | | <u>(328,615)</u> | <u>(502,009)</u> |
| Net change in cash and cash equivalents | | 397,759 | (157,003) |
| Cash and cash equivalents at the beginning of the year | | 1,733,435 | 1,890,438 |
| Cash and cash equivalents at the end of the year | | <u>2,131,194</u> | <u>1,733,435</u> |

Notes

| 1) Cashflow from operating activities | 2016 £ | Restated 2015 £ |
|--|----------------|-----------------------|
| Surplus for the year | 377,833 | 312,438 |
| Adjustments for non cash items | | |
| Depreciation of tangible fixed assets | 268,760 | 226,965 |
| Decrease/(increase) in trade and other debtors | (54,755) | 5,874 |
| Increase/(decrease) in trade and other creditors | 35,044 | (104,209) |
| Pension costs less contributions payable | (45,999) | 20,000 |
| Share capital written off | - | (21) |
| Carrying amount of tangible fixed asset disposals | (45,554) | (13,532) |
| Adjustments for investing or financing activities | | |
| Interest payable | 151,899 | 160,815 |
| Interest receivable | (188) | (177) |
| | <u>687,040</u> | <u>608,153</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2014, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

Cathcart & District Housing Association Limited is a public benefit entity (PBE).

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Housing Regulator, local authorities and other agencies.

Housing properties

In previous years completed housing properties were professionally valued on an existing use basis. Surpluses and deficits were reflected in the revaluation reserve. Permanent diminutions in value of housing property were eliminated first against any revaluation reserve in respect of that property with any excess being charged to the Statement of Comprehensive Income. On transition to FRS 102 the Association has taken the option to adopt the valuation as the deemed cost.

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties, which fail to meet the above criteria, are charged to the Statement of Comprehensive Income.

Reviews for impairment of housing properties are carried out regularly and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Statement of Comprehensive Income.

Depreciation - housing properties

Properties other than heritable land are depreciated at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components is shown in the table below.

| | | | |
|--------------------|-----------|-------------------------|----------|
| Structure | 100 years | Central heating systems | 30 years |
| Roof | 60 years | Boilers | 15 years |
| Electrical systems | 30 years | Bathrooms | 25 years |
| Windows | 30 years | Kitchens | 20 years |

Other fixed assets

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at the rate of 25% per annum.

Leasehold improvements are stated at cost less accumulated depreciation. Depreciation is charged at an annual rate to write off the leasehold improvements over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies (continued)

Social Housing Grant and other grants

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.

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments have been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Statement of Financial Position.

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.

Capitalisation of interest

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

Development administration costs

Development costs incremental to the other costs of the Association have been capitalised.

Cyclical and major repairs

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Designated reserves

The Association has designated part of its long term obligations as follows :-

Planned maintenance

The reserve is based on the Association's ability to maintain its properties in accordance with a planned programme of works provided it will not be met from revenue in the year in which it is incurred.

The Association maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure by transfers to this reserve. Previously for some schemes the reserve was established by transfers from the Rent Surplus Fund as directed by the Scottish Housing Regulator.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the Statement of Financial Position. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the Statement of Comprehensive Income over the relevant period. The capital element of the future payments is treated as a liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies (continued)

Value Added Tax

The Association is VAT registered. However a large proportion of the income is exempt for VAT purposes, and VAT is not reclaimable on the related expenditure. Expenditure is therefore shown inclusive of VAT.

Pension costs

The Association participates in the centralised Scottish Housing Associations' defined contribution pension scheme and retirement benefits to employees of the Association are funded by 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. In accordance with FRS 102 the payments in respect of the past service deficit plan have been discounted and recognised as a provision within the financial statements.

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 Cathcart & District Housing Association Limited'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.

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.

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.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

2. Particulars of turnover, cost of sales, operating costs and operating surpluses / (deficits)

| | Turnover | 2016 Operating costs | Operating surplus / (deficit) |
|---|------------------|-------------------------------------|--|
| | £ | £ | £ |
| Income and expenditure from lettings | | | |
| Social lettings | 1,980,472 | 1,574,301 | 406,171 |
| Other activities | 93,323 | 55,834 | 37,489 |
| Total | <u>2,073,795</u> | <u>1,630,135</u> | <u>443,660</u> |
| | | Restated 2015 | |
| | Turnover | Operating costs | Operating surplus / (deficit) |
| | £ | £ | £ |
| Social lettings | 1,948,950 | 1,506,539 | 442,411 |
| Other activities | 59,362 | 20,665 | 38,697 |
| Total | <u>2,008,312</u> | <u>1,527,204</u> | <u>481,108</u> |

3. Particulars of income and expenditure from social letting activities

| | 2016 Total | Restated 2015 Total |
|---|-----------------------|------------------------------------|
| | £ | £ |
| Income from letting | | |
| Rent receivable net of identifiable service charges | 1,996,656 | 1,956,186 |
| Service charges | - | - |
| Gross income from rents and service charges | <u>1,996,656</u> | <u>1,956,186</u> |
| Less : voids | (16,184) | (7,236) |
| Total turnover from social letting activities | <u>1,980,472</u> | <u>1,948,950</u> |
| Expenditure on lettings | | |
| Management and maintenance admin costs | 744,202 | 794,836 |
| Reactive maintenance | 219,916 | 231,744 |
| Planned maintenance | 334,448 | 247,504 |
| Bad debts - rents and service charges | 10,339 | 16,184 |
| Depreciation of social housing | 265,396 | 216,271 |
| Total expenditure on lettings | <u>1,574,301</u> | <u>1,506,539</u> |
| Operating surplus for social lettings for 2016 | <u>406,171</u> | <u>442,411</u> |
| Operating surplus for social lettings for 2015 | <u>442,411</u> | |

No service charges were receivable on housing accommodation not eligible for Housing Benefit (2015 - £Nil).

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

4. Particulars of turnover, operating costs and surpluses from other activities

| | Other income £ | Operating costs £ | 2016 Total £ | 2015 Total £ |
|--|----------------------|-------------------------|--------------------|--------------------|
| Wider role | - | 6,251 | (6,251) | - |
| Factoring | 58,751 | 18,299 | 40,452 | 35,464 |
| Development activities | 34,412 | 31,284 | 3,128 | 3,212 |
| Other activities | 160 | - | 160 | 21 |
| Total for other activities for 2016 | <u>93,323</u> | <u>55,834</u> | <u>37,489</u> | <u>38,697</u> |
| Total for other activities for 2015 | <u>59,362</u> | <u>20,665</u> | <u>38,697</u> | |

5. Directors 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.

| | 2016 £ | 2015 £ |
|---|---------------|---------------|
| Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions) | <u>65,087</u> | <u>64,124</u> |
| Pension contributions made on behalf of officers with emoluments greater than £60,000 | <u>6,473</u> | <u>6,156</u> |
| Emoluments paid to the Chief Executive | £ | £ |
| Emoluments excluding pension contributions | 65,087 | 64,124 |
| Employer's pension contributions | 6,473 | 6,156 |
| Total emoluments payable | <u>71,560</u> | <u>70,280</u> |
| The number of officers (including the highest paid officer) who received emoluments (excluding pension contributions) was in the following ranges:- | | |
| £60,001 - £70,000 | <u>1</u> | <u>1</u> |
| Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax | <u>68</u> | <u>4</u> |

None of the Committee members received remuneration during the year.

6. Employee information

| | 2016 | 2015 |
|--|----------------|----------------|
| The monthly average number of full-time equivalent employees during the year was:- | <u>11</u> | <u>11</u> |
| | 2016 £ | 2015 £ |
| Staff costs (including Executive emoluments) | | |
| Wages and salaries | 350,416 | 342,050 |
| Social security costs | 34,411 | 34,184 |
| Pension contributions | 27,859 | 26,696 |
| | <u>412,686</u> | <u>402,930</u> |

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

| | | |
|---|----------------|----------------|
| 7. Surplus for year | 2016 | 2015 |
| | £ | £ |
| Surplus is stated after charging (crediting):- | | |
| Gain/loss on disposal of housing property | (98,884) | (11,968) |
| Operating lease | 35,320 | 36,210 |
| Depreciation/loss on sale - tangible other fixed assets | 15,796 | 10,694 |
| Depreciation - tangible land & buildings fixed assets | 239,396 | 190,271 |
| Auditor's remuneration (including VAT) | 5,730 | 5,640 |
| Bad debts | <u>10,339</u> | <u>6,840</u> |
| 8. Gain on sale of housing stock | 2016 | 2015 |
| | £ | £ |
| Sale proceeds | <u>134,862</u> | <u>25,500</u> |
| Less: Cost of sales | 33,702 | 12,963 |
| Value of property | 2,276 | 569 |
| Legal and other costs | <u>35,978</u> | <u>13,532</u> |
| Gain on sale of housing stock | <u>98,884</u> | <u>11,968</u> |
| 9. Interest receivable and similar income | 2016 | 2015 |
| | £ | £ |
| Interest receivable | <u>188</u> | <u>177</u> |
| 10. Interest payable and similar charges | 2016 | 2015 |
| | £ | £ |
| On bank loans payable by instalments wholly or partly in more than five years | <u>151,899</u> | <u>160,815</u> |
| Other finance income / charges | 2016 | 2015 |
| | £ | £ |
| Unwinding of discounted liabilities and remeasurement | <u>13,000</u> | <u>20,000</u> |
| 12. Taxation | | |

Cathcart and District Housing Association Limited converted to a charity registered in Scotland on 7th November 2005 and, as such, is no longer subject to taxation.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

13. **Non-current assets**

a) **Housing properties (restated)**

| | Housing property held for letting £ |
|-----------------------------------|---|
| Deemed Cost | |
| As at 1 st April 2015 | 9,812,125 |
| Additions during year | 203,799 |
| Disposals during year | (93,292) |
| | <u>9,922,632</u> |
| As at 31 st March 2016 | |
| Depreciation | |
| As at 1 st April 2015 | 214,155 |
| Provided during year | 252,964 |
| Eliminated on disposal | (3,984) |
| | <u>463,135</u> |
| As at 31 st March 2016 | |
| Net book value at 31.03.16 | <u>9,459,497</u> |
| Net book value at 31.03.15 | <u>9,597,970</u> |

All housing properties are freehold.

No development allowances were received during the year.

Completed housing properties were revalued on the basis of existing use value for social housing at 2nd September 2014 by Jones Lang Lasalle IP, Chartered Surveyors. The valuation report has been made in accordance with the RICS Appraisal and Valuation Manual. On transition to FRS 102 the Association has elected to adopt the valuation as the deemed cost of the housing property. Accordingly all Social Housing Grant has now been written off.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

13. **Non-current assets**
b) **Other tangible assets**

| | Equipment fixtures & fittings £ | Leasehold improvements £ | Total £ |
|-----------------------------------|--|--------------------------------|----------------|
| Cost | | | |
| As at 1 st April 2015 | 220,103 | 212,772 | 432,875 |
| Additions during year | 14,232 | - | 14,232 |
| As at 31 st March 2016 | <u>234,335</u> | <u>212,772</u> | <u>447,107</u> |
| Aggregate depreciation | | | |
| As at 1 st April 2015 | 211,587 | 17,020 | 228,607 |
| Provided in year | 11,541 | 4,255 | 15,796 |
| As at 31 st March 2016 | <u>223,128</u> | <u>21,275</u> | <u>244,403</u> |
| Net book value at 31.03.16 | <u>11,207</u> | <u>191,497</u> | <u>202,704</u> |
| Net book value at 31.03.15 | <u>8,516</u> | <u>195,752</u> | <u>204,268</u> |

14. **Trade and other receivables**

| | 2016 £ | 2015 £ |
|--------------------------------|----------------|----------------|
| Rent debtors | 94,854 | 59,562 |
| Other debtors | 101,673 | 83,603 |
| Prepayments and accrued income | 14,525 | 14,422 |
| Group undertaking | 10,138 | 8,848 |
| | <u>221,190</u> | <u>166,435</u> |

Rent debtors are stated net of a provision for bad debts amounting to £13,838 (2015 - £13,838).

15. **Creditors and other payables : Amounts due within one year**

| | 2016 £ | 2015 £ |
|--|----------------|----------------|
| Loans due in less than one year | 190,861 | 184,264 |
| Liability for past service contributions | 55,441 | 57,999 |
| Accruals and deferred income | 261,412 | 112,986 |
| Rent in advance | 97,928 | 90,158 |
| Social security and other taxes | 14,262 | 13,099 |
| Bank overdraft | 2,375 | 6,063 |
| | <u>622,279</u> | <u>464,569</u> |

16. **Creditors : Amounts falling due after more than one year**

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Bank loans | 4,305,486 | 4,488,802 |
| Liability for past service contributions | 665,559 | 709,000 |
| | <u>4,971,045</u> | <u>5,197,802</u> |

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

17. Loans and overdrafts

The Association has four loan agreements in place with the Royal Bank of Scotland. The details of the loans are as follows:-

| Royal Bank of Scotland | Security | Interest Rate | | Loan Completion Date |
|------------------------|-------------------|---------------|----------|----------------------|
| Loan (1) | Standard Security | 1.66% | Variable | 2031 |
| Loan (2) | Standard Security | 2.36% | Fixed | 2031 |
| Loan (3) | Standard Security | 2.37% | Fixed | 2036 |
| Loan (4) | Standard Security | 2.37% | Fixed | 2030 |

| | 2016 £ | 2015 £ |
|----------------------------|------------------|------------------|
| Due within one year | <u>190,861</u> | <u>184,264</u> |
| Between one and two years | 181,921 | 189,667 |
| Between two and five years | 578,614 | 603,250 |
| In five years or more | 3,544,951 | 3,695,885 |
| | <u>4,305,486</u> | <u>4,488,802</u> |

18. Operating leases

| | 2016 £ | 2015 £ |
|--|---------------|----------------|
| Obligations under operating leases. | | |
| Operating leases due within one year - Rent | 25,992 | 25,992 |
| Operating leases due between one and five years - Rent | 51,984 | 77,976 |
| | <u>77,976</u> | <u>103,968</u> |

19. Share capital

| | 2016 | 2015 |
|--|------------|------------|
| Shares of £1 each issued and fully paid | | |
| As at 1 st April 2015 | 105 | 114 |
| Shares issued at par during the year | <u>3</u> | <u>12</u> |
| | 108 | 126 |
| Shares forfeited | - | (21) |
| At 31 st March 2016 | <u>108</u> | <u>105</u> |

Each shareholder of the Association holds only one share and is entitled to vote at general meetings of the Association. Shares carry no right to dividend or distribution 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.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

20. Housing Stock

2016 2015

The number of units of accommodation in management at the year end was :-

| | | |
|---------------------------|------------|------------|
| General Needs - New build | 33 | 33 |
| - Rehabilitation | 529 | 533 |
| Unimproved | <u>10</u> | <u>10</u> |
| | <u>572</u> | <u>576</u> |

21. Pensions

Scheme: The Pensions Trust - Scottish Housing Associations' Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 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 30th 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 30th September 2015. This actuarial valuation showed assets of £612m, liabilities of £816m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

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

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

21. **Pensions (Continued)**

PRESENT VALUES OF PROVISION

| | 31 March 2016 (£000s) | 31 March 2015 (£000s) | 31 March 2014 (£000s) |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Present value of provision | 721 | 767 | 747 |

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

| | Period Ending 31 March 2016 (£000s) | Period Ending 31 March 2015 (£000s) |
|--|--|--|
| Provision at start of period | 767 | 747 |
| Unwinding of the discount factor (interest expense) | 16 | 24 |
| Deficit contribution paid | (59) | (58) |
| Remeasurements - impact of any change in assumptions | (3) | 54 |
| Remeasurements - amendments to the contribution schedule | - | - |
| Provision at end of period | <u>721</u> | <u>767</u> |

INCOME AND EXPENDITURE IMPACT

| | Period Ending 31 March 2016 (£000s) | Period Ending 31 March 2015 (£000s) |
|--|--|--|
| Interest expense | 16 | 24 |
| Remeasurements - impact of any change in assumptions | (3) | 54 |
| Remeasurements - amendments to the contribution schedule | - | - |
| Contributions paid in respect of future service * | - | - |
| Costs recognised in income and expenditure account | - | - |

* includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

| | 31 March 2016 % per annum | 31 March 2015 % per annum | 31 March 2014 % per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.29 | 2.22 | 3.42 |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

22. Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

23. Related party transactions

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

There are members of the Management Committee who are tenants. These tenancies are on the Association's normal tenancy terms and they cannot use their position to their advantage. There are 11 members of the Management Committee who are tenants. Transactions with the governing body members were as follows:-

Rent charge to tenants on the Committee of Management were £40,414.

At the year end total arrears owed by tenants who were members of the Committee of Management were £1,045.

A member of the Management Committee is the representative of Glasgow City Council. Any transaction with the Council is at arms length on normal commercial terms and this member cannot use their position to their advantage.

The Association controls CDHA Management and Development Limited by virtue of common Committee and Board membership. CDHA Management and Development Limited is registered in Scotland as a company limited by guarantee without having a share capital.

During the year the Association paid costs of £8,649 (2015 - £8,848) on behalf of CDHA Management and Development Limited. These costs were recharged to the company during the year. At 31st March 2016 the Association was owed £10,138 (2015 - £8,848) by CDHA Management and Development Limited.

During the year CDHA Management and Development Limited provided services to the Association at a value of £66,000 (2015 - £68,000). At the year end £5,500 (2015 - £5,500) was repaid and is included in current liabilities.

24. Group structure

Cathcart and District Housing Association Limited is a Housing Association registered in Scotland and forms part of a group. The other member of the group is CDHA Management and Development Limited, a company registered in Scotland. The principal activity of this company is the provision of cleaning services.

Cathcart and District Housing Association Limited is considered to be the ultimate parent undertaking of the group. Separate accounts are not prepared as the Financial Conduct Authority has exempted the group from this requirement.

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

25. Transition to FRS 102

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 1st April 2015. As a result of this the comparative figures for the period ending 31st March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in several 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 31st March 2016.

Changes for FRS 102 adoption:

- (i) On transition to the SORP FRS 102 the Association has adopted the revalued fixed assets in the accounts as the deemed cost. Social Housing Grants at that date have been transferred to the Statement of Comprehensive Income.
- (ii) Social Housing Grants for property under construction have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.
- (iii) As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.
- (iv) The liability recognised as a result of (iii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A.
- (v) FRS 102 requires that all debtor balances are included at fair value. The balances due from tenants have therefore been reviewed and adjusted as necessary.

Reconciliation of Capital and Reserves

| | As Previously Stated 31st March 2015 £ | As Restated 31st March 2015 £ | Effect of Transition £ |
|-------------------------|--|---|---------------------------------------|
| Non current assets | 9,346,868 | 9,802,238 | (455,370) |
| Current assets | 1,905,933 | 1,905,933 | - |
| Current liabilities | (406,570) | (464,569) | 57,999 |
| Non current liabilities | (4,488,802) | (5,197,802) | 709,000 |
| Capital and Reserves | <u>6,357,429</u> | <u>6,045,800</u> | <u>311,629</u> |

Impact upon the 31st March 2015 surplus for the year

| | As Previously Stated £ | Effect of Transition £ | As Restated £ |
|------------------------------|---------------------------------------|---------------------------------------|--------------------------|
| Revenue | 2,008,312 | - | 2,008,312 |
| Operating cost | (1,499,077) | (28,127) | (1,527,204) |
| Gain on disposal of property | 11,968 | - | 11,968 |
| Interest receivable | 176 | 1 | 177 |
| Interest payable | (160,815) | - | (160,815) |
| Other finance charges | - | (20,000) | (20,000) |
| Surplus before tax | <u>360,564</u> | <u>(48,126)</u> | <u>312,438</u> |

CATHCART & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

25. Transition to FRS 102 (continued)

Reconciliation of movement in reserves

| | £ |
|-----------------------------|------------------|
| Reserves at 31st March 2014 | 5,996,760 |
| Pension | (727,000) |
| Movement in property | 503,497 |
| At 1st April 2015 | <u>5,773,257</u> |
| As stated at 1st April 2014 | 5,773,257 |
| Surplus for year | 312,438 |
| Share capital | 105 |
| At 31st March 2015 | <u>6,045,800</u> |