

Cloch Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No.HEP91

FCA Reference No. SP1893RS

Scottish Charity No. SCO13996

CLOCH HOUSING ASSOCIATION LIMITED

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CLOCH HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2014

MANAGEMENT COMMITTEE

Monica Sheekey	Chair
Jane Cheshire	Secretary
Jackie McKelvie	
Brenda Higgins	Resigned 05/09/13
Michael Clarke	Resigned 19/11/13
Patricia Gallagher	Resigned 05/09/13
Ruth Henderson	Resigned 05/09/13
Margaret McKay	
Peter Galbraith	
Kelly Ferns	
Danny McMillan	
Julianne Scarlett	
Edward Coogans	Appointed 05/09/13
Ronald Phillips	Appointed 05/09/13
Eleanor Robertson	Appointed 05/09/13

EXECUTIVE OFFICERS

Paul McVey	Director
Andrew Thomson	Housing Manager
Elaine McShane	Business Development Manager

REGISTERED OFFICE

19 Bogle Street
Greenock
PA15 1ER

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
The Cross Branch
Paisley
PA1 1DD

SOLICITORS

T C Young
7 West George Street
Glasgow
G2 1BA

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.SP1893RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO13996.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The last year has been an extremely positive one for Cloch Housing Association. Our focus has been on continuing with financial and governance improvements, working on enhancing our asset management and business planning and collaborating with our partner, Oak Tree Housing Association, to deliver improvements to the residents of Inverclyde.

Representatives from the Scottish Housing Regulator attended a Management Committee meeting at the turn of the year and confirmed in the final weeks of this financial year that our regulatory engagement would be reduced from medium to low. This is a significant achievement for the organisation in that this assurance from the Regulator restores confidence in the Association and in the work carried out by the new Committee, the staff and our stakeholders and partners, most specifically the input from Oak Tree Housing Association. It is recognised that the seeds of change sown through the engagement process will continue to grow as our governance and financial stability remains a high priority for the Association. The lessons of the past will not be forgotten.

In order to ensure that our finances are effectively managed it is crucial that the Association has well informed and developed plans for maintenance in the estate. Significant work has been carried out to realign our maintenance programmes for the years ahead which will ensure that we can budget more effectively, procure more effectively and communicate to tenants and staff about what is to be carried out and when. There are still improvements to be made in the Property Services area of the business and this will be a focus for 2014/15.

The onset of welfare reform has been managed well by the Association through intensive rent management and effective liaison with our partners at Inverclyde Council and the Department of Works and Pensions. This has resulted in an actual reduction in our rent arrears - 1.29% Non-Technical Arrears - which is the lowest figure in Inverclyde and the lowest for many years at Cloch.

Our work with customer engagement as part of the Oak Tree Housing Association Group has been ongoing, although it has been recognised that there are obstacles in terms of attracting engagement opportunities - we will continue to progress and improve on this in the year ahead. The Tenant Satisfaction Survey which was carried out early last year however, outlines high levels of satisfaction across the board, improving on our previous survey and giving the Association areas where further improvements can be made.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Review of Business and Future Developments (Contd)

In last year's report it was recognised that our focus would be more on stability and continuous improvement and development activity would be more of an aspiration to be visited in the future. While this position has not ostensibly altered, the Association is reviewing potential projects which could be prioritised for development in the next couple of years subject to funding and alignment with local and national priorities. The relaxation of regulatory engagement makes the prospect of development more achievable.

Finally, a priority for the Association is the implementation of improvements in our people management and processes. We want to ensure that our culture is an open and exciting one focussed on improvement and customer service - with this in mind, we are embarking with our colleagues at Oak Tree HA on a Staff Engagement Survey to highlight any areas of concern and also areas of excellence which we can further develop.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

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

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

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies 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 period. 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 enable them 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 2012. 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.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

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;
- 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;
- regular 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;
- 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Association made charitable donations amounting to £Nil (2013 £nil).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee


JANE CHESHIRE
Secretary
09 September 2014

CLOCH HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
09 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOCH HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Cloch Housing Association Limited for the year ended 31st March 2014 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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. 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of 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 31st March 2014 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 2012.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CLOCH HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception (contd.)

- 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.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
09 September 2014

CLOCH HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	£	2014 £	£	Restated 2013 £
TURNOVER	2.		6,147,005		5,961,710
Operating Costs	2.		(4,306,680)		(4,231,024)
OPERATING SURPLUS	9.		1,840,325		1,730,686
Gain On Sale Of Housing Stock	7.	32,997		-	
Exceptional Item	22.	-		(377,729)	
Interest Receivable and Other Income		6,844		10,018	
Interest Payable and Similar Charges	8.	(744,594)		(671,044)	
			(704,753)		(1,038,755)
SURPLUS ON ORDINARY ACTIVITIES			1,135,572		691,931

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2014 £	2013 £
Surplus for the financial year	1,135,572	691,931
Prior year adjustment - depreciation	(15,597)	(437,352)
Total gains recognised since last annual report	1,119,975	254,579

CLOCH HOUSING ASSOCIATION LIMITED

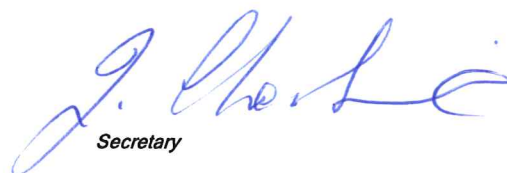
BALANCE SHEET AS AT 31st MARCH 2014

	Notes	£	2014 £	£	Restated 2013 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		101,259,767		102,164,788
Less: SHG and Other Grants	11.(a)		(76,254,945)		(76,596,978)
			<u>25,004,822</u>		<u>25,567,810</u>
Office premises	11.(b)		985,516		1,007,522
Other fixed assets	11.(b)		9,254		16,636
			<u>25,999,592</u>		<u>26,591,968</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	21.		2		2
Shared Equity Cost	21.	989,435		989,435	
Shared Equity Grant	21.	(989,435)		(989,435)	
			<u>-</u>		<u>-</u>
CURRENT ASSETS					
Debtors	13.	344,654		389,776	
Investments	24.	425,709		483,947	
Cash at bank and in hand		2,461,001		1,795,583	
		<u>3,231,364</u>		<u>2,669,306</u>	
CREDITORS: Amounts falling due within one year					
	14.	(3,488,102)		(3,684,565)	
(NET CURRENT LIABILITIES)			<u>(256,738)</u>		<u>(1,015,259)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>25,742,856</u>		<u>25,576,711</u>
CREDITORS: Amounts falling due after more than one year					
	15.		(18,495,227)		(19,464,632)
NET ASSETS			<u><u>7,247,629</u></u>		<u><u>6,112,079</u></u>
CAPITAL AND RESERVES					
Share Capital	17.		65		87
Designated Reserves	18.(a)		6,418,699		5,888,056
Revenue Reserves	18.(b)		828,865		223,936
			<u>7,247,629</u>		<u>6,112,079</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 09 September 2014.


Chairperson


Committee Member


Secretary

CLOCH HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2014**

	Notes	£	2014 £	£	2013 £
Net Cash Inflow from Operating Activities	16.		2,486,955		2,524,792
Returns on Investment and Servicing of Finance					
Interest Received		6,844		10,018	
Interest Paid		(744,594)		(705,870)	
Net Cash Outflow from Investment and Servicing of Finance			(737,750)		(695,852)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(381,610)		(1,621,050)	
Purchase of Other Fixed Assets		(2,809)		(67,422)	
HAG and other grants received		80,225		41,507	
Proceeds on Disposal of Properties		85,755		-	
Net Cash Outflow from Capital Expenditure and Financial Investment			(218,439)		(1,646,965)
Net Cash Inflow before use of Liquid Resources and Financing			1,530,766		181,975
Management of Liquid Resources					
Change in short term deposits with banks			58,238		(3,851)
Financing					
Loan Advances Received		2,574,160		13,804,665	
Loan Redemption Payments		-		(13,440,189)	
Loan Principal Repayments		(3,497,751)		(708,099)	
Share Capital Issued		5		7	
Net Cash Outflow from Financing			(923,586)		(343,616)
Increase / (decrease) in Cash	16.		665,418		(165,492)

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefit 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.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and 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 11. 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.

<i>Component</i>	<i>Useful Economic Life</i>
Roof	50 years
Kitchens	15 years
Bathrooms	20 years
Windows	30 years
Central Heating	30 years
Boilers	15 years
Rewiring	30 years
Lifts	20 years

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed 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	50 years
Furniture and Fittings	5 years
Computer Equipment	3 years

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

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

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 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.

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 fixed 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 fixed 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 fixed asset investment, which is matched with the grant received.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

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

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve is based on the Association's liability to maintain the 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 Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	5,703,346	3,826,192	1,877,154	5,531,641	3,778,753	1,752,888
Other Activities	4.	443,659	480,488	(36,829)	430,069	452,271	(22,202)
Total		6,147,005	4,306,680	1,840,325	5,961,710	4,231,024	1,730,686

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2014 Total £	2013 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	5,330,680	127,607	43,093	5,501,380	5,271,492
Service Charges Receivable	53,809	191,334	-	245,143	239,527
Gross Rents Receivable	5,384,489	318,941	43,093	5,746,523	5,511,019
Less: Rent losses from voids	40,878	2,299	-	43,177	27,042
Net Rents Receivable	5,343,611	316,642	43,093	5,703,346	5,483,977
Revenue Grants from Scottish Ministers	-	-	-	-	47,664
Total Income From Social Letting	5,343,611	316,642	43,093	5,703,346	5,531,641
Expenditure on Social Letting Activities					
Service Costs	186,423	46,124	-	232,547	250,524
Management and maintenance administration costs	1,589,617	38,093	12,864	1,640,574	1,565,272
Reactive Maintenance	497,296	25,054	-	522,350	480,837
Bad Debts - Rents and Service Charges	3,644	-	-	3,644	46,497
Planned and Cyclical Maintenance, including Major Repairs	532,652	49,712	-	582,364	631,050
Depreciation of Social Housing	825,119	19,594	-	844,713	804,573
Operating Costs of Social Letting	3,634,751	178,577	12,864	3,826,192	3,778,753
Operating Surplus on Social Letting Activities	1,708,860	138,065	30,229	1,877,154	1,752,888
2013	1,660,762	82,422	25,301		

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, 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 Bad Debts £	Operating Costs Other £	Operating Surplus /(Deficit) 2014 £	Operating Surplus /(Deficit) 2013 £
Wider Role Activities	35,777	-	-	-	35,777	-	49,859	(14,082)	(14,382)
Care and Repair Service	-	-	-	273,266	273,266	-	289,219	(15,953)	(499)
Factoring	-	-	-	28,653	28,653	10,296	365	17,992	19,062
Support Activities	-	-	23,734	-	23,734	-	17,888	5,846	(1,595)
Stage 3	70,848	-	-	-	70,848	-	71,091	(243)	918
Common Housing Register	-	-	-	11,381	11,381	-	41,770	(30,389)	(25,706)
Total From Other Activities	106,625	-	23,734	313,300	443,659	10,296	470,192	(36,829)	(22,202)
2013	77,966	-	23,734	328,369	430,069	4,835	447,436	(22,202)	

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>64,956</u>	<u>-</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,234</u>	<u>-</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>64,956</u>	<u>142,335</u>

The 2013 figure above includes emoluments payable to two interim Chief Executives.

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	-

6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>28</u>	<u>32</u>
The average total number of Employees employed during the year was	<u>36</u>	<u>39</u>
Staff Costs were:	£	£
Wages and Salaries	861,389	1,005,286
Social Security Costs	65,652	79,775
Other Pension Costs	153,824	151,875
Temporary, Agency and Seconded Staff	142,211	241,201
	<u>1,223,076</u>	<u>1,478,137</u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	85,755	-
Cost of Sales	52,758	-
Gain On Sale Of Housing Stock	<u>32,997</u>	<u>-</u>

8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	684,542	640,421
On Other Loans	60,052	65,449
	<u>744,594</u>	<u>705,870</u>
Less: Interest Capitalised	-	34,826
	<u>744,594</u>	<u>671,044</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2013 £0).

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	860,479	826,093
Auditors' Remuneration - Audit Services	11,103	15,030
- Other Services	<u>1,482</u>	<u>5,262</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.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties (restated)	Housing Properties Held for Letting £	Total £
COST		
As at 1st April 2013	106,182,083	106,182,083
Additions	381,610	381,610
Disposals	(482,971)	(482,971)
Schemes Completed	-	-
As at 31st March 2014	106,080,722	106,080,722
DEPRECIATION		
As at 1st April 2013	4,017,295	4,017,295
Charge for Year	828,282	828,282
Disposals	(24,622)	(24,622)
As at 31st March 2014	4,820,955	4,820,955
SHG AND OTHER GRANTS		
As at 1st April 2013	76,596,978	76,596,978
Additions	46,649	46,649
Disposals	(388,682)	(388,682)
Shared Equity Disposal	-	-
Schemes Completed	-	-
As at 31st March 2014	76,254,945	76,254,945
NET BOOK VALUE		
As at 31st March 2014	25,004,822	25,004,822
As at 31st March 2013	25,567,810	25,567,810

Additions to housing properties includes capitalised development administration costs of £Nil (2013 - £Nil) and capitalised major repair costs to existing properties of £382,357 (2013 - £205,935)

All land and housing properties are freehold.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Furniture - Supported Accommodation £	Computer Equipment	Sheltered Housing F&F £	Office Premises £	Office Furniture & Equipment £	Total £
COST						
As at 1st April 2013	118,457	168,829	15,216	1,100,122	58,377	1,461,001
Additions	-	1,429	-	-	1,380	2,809
Eliminated on Disposals	-	-	-	-	-	-
As at 31st March 2014	118,457	170,258	15,216	1,100,122	59,757	1,463,810
GRANTS RECEIVED						
As at 1st April 2013	-	-	-	-	-	-
Received in year	-	-	-	-	-	-
Repaid on Disposal	-	-	-	-	-	-
As at 31st March 2014	-	-	-	-	-	-
AGGREGATE DEPRECIATION						
As at 1st April 2013	118,457	156,992	13,416	92,600	55,378	436,843
Charge for year	-	8,206	571	22,006	1,414	32,197
Eliminated on disposal	-	-	-	-	-	-
As at 31st March 2014	118,457	165,198	13,987	114,606	56,792	469,040
NET BOOK VALUE						
As at 31st March 2014	-	5,060	1,229	985,516	2,965	994,770
As at 31st March 2013	-	11,837	1,800	1,007,522	2,999	1,024,158

12. COMMITMENTS UNDER OPERATING LEASES

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring within one year	11,780	4,310
Expiring between two and five years	6,893	13,201

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2014 £	2013 £
Arrears of Rent & Service Charges	149,508	176,272
Less: Provision for Doubtful Debts	(83,212)	(88,843)
	<u>66,296</u>	<u>87,429</u>
Social Housing Grant Receivable	-	33,576
Other Debtors	278,358	268,771
	<u>344,654</u>	<u>389,776</u>

14. CREDITORS: Amounts falling due within one year

	2014 £	2013 £
Housing Loans	1,521,887	1,476,070
Trade Creditors	178,739	292,405
Rent in Advance	288,225	234,853
Other Taxation and Social Security	18,675	19,695
Other Creditors	1,359,129	1,437,806
Accruals and Deferred Income	121,447	223,736
	<u>3,488,102</u>	<u>3,684,565</u>

At the balance sheet date there were pension contributions outstanding of £17,006 (2013 - £52,635)

15. CREDITORS: Amounts falling due after more than one year

	2014 £	2013 £
Housing Loans	<u>18,495,227</u>	<u>19,464,632</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	1,521,887	1,476,070
Between one and two years	1,578,807	1,528,262
Between two and five years	5,101,717	4,918,804
In five years or more	11,814,703	13,017,566
	<u>20,017,114</u>	<u>20,940,702</u>
Less: Amount shown in Current Liabilities	1,521,887	1,476,070
	<u>18,495,227</u>	<u>19,464,632</u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	1,840,325	1,730,686
Exceptional items	-	(377,729)
Depreciation	860,479	826,093
Change in properties developed for resale	-	39,238
Change in Debtors	11,546	(23,921)
Change in Creditors	(225,368)	330,440
Share Capital Written Off	(27)	(15)
Net Cash Inflow from Operating Activities	<u>2,486,955</u>	<u>2,524,792</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase / (decrease) in Cash	665,418		(165,492)	
Cash flow from management of liquid resources	(58,238)		3,851	
Cash flow from change in debt	<u>923,588</u>		<u>343,626</u>	
Movement in net debt during year		1,530,768		181,985
Net debt at 1st April 2013		(18,661,172)		(18,843,157)
Net debt at 31st March 2014		<u>(17,130,404)</u>		<u>(18,661,172)</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	<u>1,795,583</u>	<u>665,418</u>		<u>2,461,001</u>
Liquid Resources	1,795,583	665,418		2,461,001
	483,947	(58,238)		425,709
Debt: Due within one year	(1,476,070)	923,588	(969,405)	(1,521,887)
Due after more than one year	<u>(19,464,632)</u>	<u>-</u>	<u>969,405</u>	<u>(18,495,227)</u>
Net Debt	<u>(18,661,172)</u>	<u>1,530,768</u>	<u>-</u>	<u>(17,130,404)</u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	87
Issued in year	5
Cancelled in year	(27)
At 31st March 2014	<u>65</u>

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

18. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2013	839,500	5,048,556	5,888,056
Transfer to / (from) Revenue Reserves	130,250	400,393	530,643
At 31st March 2014	<u>969,750</u>	<u>5,448,949</u>	<u>6,418,699</u>

(b) Revenue Reserves	Total £
At 1st April 2013 - restated	223,936
Surplus for the year	1,135,572
Transfer (to) / from Designated Reserves	(530,643)
At 31st March 2014	<u>828,865</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs - Available for letting	1,323	1,325
Shared Ownership	20	20
Supported Housing	62	62
	<u>1,405</u>	<u>1,407</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

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

4 members are tenants of the Association

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

21. FIXED ASSET INVESTMENT

	2014 £	2013 £
Shared Equity Properties		
Development Cost of Shared Equity Property	989,435	989,435
Less: Grants Receivable	989,435	989,435
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2014 & 31st March 2013	<u>2</u>	<u>2</u>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Cloch Property Services Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The company was incorporated on 29 September 2009 and for the year to 31st March 2014 filed dormant accounts.

22. EXCEPTIONAL ITEM

During the prior year, Cloch Housing Association incurred legal and professional fees of £377,729 relating to internal reviews and the Constitutional Partnership.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CONTROLLING PARTY

The Association's parent undertaking at the balance sheet date was Oak Tree Housing Association Ltd, a non-charitable registered social landlord registered under the Co-operative and Community Benefit Societies Act. Oak Tree Housing Association Ltd exercises dominant control through its ability to control the majority of the membership of Committee of Management. Cloch Housing Association Ltd continues to have primary responsibility for all aspects of its business operations.

The Association has taken advantage of the exemption from disclosing related party transactions, available to 100% subsidiaries, within FRS 8.

24. CURRENT ASSET INVESTMENTS

	2014	2013
	£	£
Short Term Deposits	<u>425,709</u>	<u>483,947</u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

General

Cloch Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined contribution option

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Cloch Housing Association has elected to operate the final salary with 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Cloch Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.

As at the balance sheet date there were 20 active members of the Scheme employed by Cloch Housing Association Limited. The annual pensionable payroll in respect of these members was £580,421. Cloch Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA). All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have recently supplied Cloch Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Cloch Housing Association Limited will be required to pay £183,115 per annum as a contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.