



**Alexander Sloan**  
Accountants and Business Advisers

# **Cloch Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2019**

**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

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## BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

### BOARD

Julianne Scarlett	Chairperson
Monica Sheekey	Vice Chairperson
Alison Greenhill	Secretary
Jane Cheshire	
Kelly Ferns	
Eleanor Robertson	
Heather Thomson	
Ronny Lee	Oak Tree HA Nominee
Jackie McKelvie	Oak Tree HA Nominee - Appointed 20.09.18
Brian Corrigan	Appointed 20.09.18
Eileen Tamburrini	Appointed 20.09.18
Karen Wilson	Appointed 20.09.18

### EXECUTIVE OFFICERS

Paul McVey	Director
Andrew Thomson	Housing Services Manager
Paul McColgan	Property Services Manager
Elizabeth Bowden	Corporate Services Manager

### REGISTERED OFFICE

19 Bogle Street  
Greenock  
PA15 1ER

### EXTERNAL AUDITORS

Alexander Sloan  
Accountants and Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### INTERNAL AUDITORS

TIAA Ltd  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

### BANKERS

Bank of Scotland  
The Cross Branch  
Paisley  
PA1 1DD

### SOLICITORS

Patten & Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

# CLOCH HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2019

The Board presents its report and the Financial Statements for the year ended 31 March 2019.

### 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 governed 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.

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

### Review of Business and Future Developments

2018/19 was a really positive year for Cloch. As we entered the new financial year, we were already immersed in our 50<sup>th</sup> Celebrations which included many events including a Gala Day, a Souvenir Heritage Book Launch, a Short Film being produced and culminating in an evening at the Scottish Parliament where the Association received the Healthy Working Lives Award and Customer Service Excellence accreditation.

Our Customer Connections team were launched in April 2018 which was our response to a significant customer service project highlighting that our customers wanted and deserved a more responsive customer focussed range of services. The set-up of this team ensures that we now have a team who will look to answer calls and enquiries on a range of services, first time.

We have now experienced two full financial years with Universal Credit (full service) being in place in Inverclyde and this continues to have a significant impact on our service and resources. We spend much more time now helping our tenants navigate the welfare benefits system and the Housing Services team along with our partners at Financial Fitness, Future Skills and other support services have been working hard to assist our tenants dealing with this transition and the financial impact it causes. Despite this Cloch continue to report the lowest rent arrears in Inverclyde with our non-technical arrears at 1.1% at 31 March 2019 – this continues the trend of reducing rent arrears in Cloch.

2018/19 was another successful trading year for Cloch Housing Association. The Association made a surplus of £1.49m in the year compared to a projected surplus of £1.09m, with savings achieved and some work activities being carried forward into 2019/20. Total turnover was £8.57m, (2017/18 - £8.19m) with operating costs of £6.60m, (2017/18 - £5.97m).

The Association has a defined benefit pension scheme in place with the Scottish Housing Association Pension Scheme, which is administered by The Pension Trust. This year a new accounting method to calculate each member's liability has been introduced and the new valuation method has been adopted by Housing Associations who have a defined benefit pension scheme. The costs associated with the revaluation is effectively a non-cash transaction, however is recognised in the statement of other income and this resulted in an overall adjustment of £777.7k, effectively reducing the total comprehensive income for the year to £710k.

# CLOCH HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

Voids have become our No.1 risk at present due to the days taken to let empty properties and the issues surrounding that. Although there was a reduction in the number of empty properties (voids) returned to Cloch during this year, our days taken to let increased significantly and void loss increased also. There were a number of reasons for this which included a poor performance from our main contractor, the condition of returning voids, reduced demand for certain properties and other issues such as utility delays. We have replaced our main contractor from April 2019 and are working on our Asset Management Plan in a bid to ensure that we have appropriate strategies in place for managing lower levels of demand and turning round properties quicker.

In October 2017 Cloch entered into a new Reactive Maintenance and Void Repairs Contract with Novus. This contract was procured with our partners Oak Tree Housing Association and this time last year we were reporting what we hoped were teething problems caused by interfacing, processes and communication. In 18/19 these problems increased and the Associations commenced performance action with the contractor. Ultimately, there was mutual agreement to terminate the contract with effect from 31st March 2019 and on 1st April 2019 after a rigorous procurement process, Cloch appointed MPS Housing to carry out a full repairs and maintenance service including voids management. Early in the new financial year, benefits and improvements are already being recognised.

Despite the resource commitment required with the reactive contract, the Property Services Team have been working hard on our planned maintenance programme which has included Year 2 of our 3 year Painting Contract with JS McColl's (16 closes and 6 houses), Year 2 of our 3 year Kitchen Contract with CCG (66 kitchens completed in Year 2), and our 2nd year with CMBS replacing 17 boilers. In addition, in our first year of a 3 year CMBS contract we replaced 62 bathrooms.

Our landscape contract and Garden Tidy Scheme for a limited number of older or disabled tenants continued as did our Gas Maintenance Contract with GasSure (James Frew).

Plans are still in place to commence a new build development at the former Kings Glen Primary School in Kilmacolm Road. There have been unforeseen delays with this project, although we are still working in partnership with Oak Tree HA and hope to start developing in November 2019. It is hoped that we can develop 58 affordable homes for rent and as plans progress resident engagement will commence.

Our Customer Scrutiny Group, who had previously helped with moulding the customer standards and providing feedback on other publications and services, completed their first Scrutiny Exercise, with the assistance of the Tenants Information Service (TIS). This involved looking at all of the work and communication associated with kitchen installations, from the very first communication, through to the end result. The Group were able to provide a report commenting on what went well and less well during the process, and put forward a number of recommendations from a customer's perspective about how we could change what we do to better suit the needs of the tenant. Unfortunately, the membership of this Group is proving difficult to sustain and we are exploring initiatives to attract new members.

Unfortunately, 2018/19 was the final year of Cloch providing the Inverclyde Care & Repair Service. Following severe budget cuts by Inverclyde Council and an inability to attract additional funding Cloch could not meet the service demands based on the available budget. Bridgewater Housing Association has now taken over the service, and they have joined up with their own Care and Repair Team who provide services for both Renfrewshire and East Renfrewshire Councils. Some staff were TUPED into roles with Bridgewater from 1/4/2019.

# CLOCH HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

Our commitment to two Modern Apprentices has continued and we have two local young people in 18-month apprenticeships, gaining relevant qualifications and learning about careers and jobs within the Housing Sector. They have taken part in our wider role activities, including the Short Film and Parliament visit. In partnership with Oak Tree and Larkfield, the Energy Activator Project was launched which sees 3 Energy Activators working within the Associations and the communities and helping people measure and improve their carbon efficiency and fuel usage. This project is funded by the Climate Challenge Fund and operated through Keep Scotland Beautiful.

The Association launched their first Corporate Social Responsibility Policy which has a range of delivery arms, from charity and fund raising, through to giving staff time to participate in our Volunteering Scheme. This has allowed staff to work with Belville Community Garden, the Bee Corridor Project and the Foodbank at Christmas.

Finally, our governance arrangements. Julianne Scarlett was re-elected for a 3rd year as Chairperson of the Association following the AGM in September and Monica Sheekey continues as Vice Chair. We were fortunate to be joined by 4 new Board Members in the Autumn following a recruitment exercise. The Board work with a Training & Development Plan and receive training and awareness sessions throughout the year. We finished our Governance Self-Assessment project where consideration and evidence is provided as to how informed and compliant the governing body are against the regulatory standards outlined by the Scottish Housing Regulator. This was successful and we are looking to start afresh in 2019 with the new revised regulatory standards.

# CLOCH HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2019

### Board and Executive Officers

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

Each member of the Board 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 Board.

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

### Statement of Board's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Board 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 Board is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Board 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 Board 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

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## REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2019

### Statement on Internal Financial Control

The Board 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 Board'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 Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- the Board 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.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

### Donations

During the year the Association made charitable donations amounting to £1,529 (2018 - £450).

### Auditors

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

### By order of the Board

#### ALISON GREENHILL

Secretary

6 August 2019



# CLOCH HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS 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 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

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

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 6 has provided the disclosures required by the relevant Regulatory Standards within the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

### **ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
6 August 2019



**Alexander Sloan**  
Accountants and Business Advisers

# CLOCH HOUSING ASSOCIATION LIMITED

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

### Opinion

We have audited the financial statements of Cloch Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2019.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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 Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

# CLOCH HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOCH HOUSING ASSOCIATION LIMITED (Continued)

### Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities as set out on Page 5, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### ALEXANDER SLOAN

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
6 August 2019



Alexander Sloan  
Accountants and Business Advisers

# CLOCH HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Continuing Operations	Discontinued Operations	2019 Total	Continuing Operations (as restated)	Discontinued Operations (as restated)	2018 Total
		£	£	£	£	£	£
<b>REVENUE</b>	2	8,328,487	245,833	8,574,320	7,924,595	261,447	8,186,042
Operating Costs	2	(6,384,791)	(216,798)	(6,601,589)	(5,738,026)	(234,088)	(5,972,114)
<b>OPERATING SURPLUS</b>		1,943,696	29,035	1,972,731	2,186,569	27,359	2,213,928
Exceptional Item	27		35,754	35,754	-	-	-
Interest Receivable and Other Income		30,219	-	30,219	15,105	-	15,105
Interest Payable and Similar Charges	7	(489,631)	-	(489,631)	(507,223)	-	(507,223)
Other Finance Income / (Charges)	10	(61,402)	-	(61,402)	(84,506)	-	(84,506)
		(520,814)	35,754	(485,060)	(576,624)	-	(576,624)
<b>SURPLUS FOR THE YEAR</b>	8	<b>1,422,882</b>	<b>64,789</b>	<b>1,487,671</b>	<b>1,609,945</b>	<b>27,359</b>	<b>1,637,304</b>
<b>Other comprehensive income</b>							
Adjustment relating to Opening Pension Liability	28			(595,709)			-
Actuarial Gains/ (Losses) on defined benefit Pension Plan	28			(182,000)			-
<b>TOTAL COMPREHENSIVE INCOME</b>				<b>709,962</b>			<b>1,637,304</b>

The notes on pages 14 to 32 form part of these financial statements.

Discontinued operations relates to Care & Repair services

# CLOCH HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	11 (a)		71,725,436		73,684,623
Other Non-current Assets	11 (b)		544,039		565,741
			<u>72,269,475</u>		<u>74,250,364</u>
<b>INVESTMENTS</b>					
Investment in subsidiaries	24	2		2	
			2		2
<b>CURRENT ASSETS</b>					
Receivables	14	349,014		381,380	
Cash at bank and in hand		4,145,988		3,592,245	
		<u>4,495,002</u>		<u>3,973,625</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(2,370,783)</u>		<u>(3,060,486)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,124,219</u>		<u>913,139</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			74,393,696		75,163,505
<b>CREDITORS: Amounts falling due after more than one year</b>	16		(13,925,418)		(15,546,879)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Scottish Housing Association Pension Scheme	26	<u>(1,452,000)</u>		-	
			(1,452,000)		-
<b>DEFERRED INCOME</b>					
Social Housing Grants	18	(45,933,638)		(47,223,414)	
Other Grants	18	<u>(557,435)</u>		<u>(577,969)</u>	
			<u>(46,491,073)</u>		<u>(47,801,383)</u>
<b>NET ASSETS</b>			<u><b>12,525,205</b></u>		<u><b>11,815,243</b></u>
<b>EQUITY</b>					
Share Capital	19		53		53
Revenue Reserves			13,977,152		11,815,190
Pension Reserves			<u>(1,452,000)</u>		<u>-</u>
			<u><b>12,525,205</b></u>		<u><b>11,815,243</b></u>

The Financial Statements were approved by the Board and authorised for issue and signed on their behalf on 6 August 2019.

**Julianne Scarlett**  
Chairperson

**Monica Sheekey**  
Vice Chairperson

**Alison Greenhill**  
Secretary

The notes on pages 14 to 32 form part of these financial statements.

# CLOCH HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
<b>Net cash inflow from operating activities</b>	17	2,395,851	3,385,439
<b>Investing Activities</b>			
Acquisition and Construction of Properties		(565,050)	(913,804)
Purchase of Other Fixed Assets		(41,566)	(74,362)
Social Housing Grant Received		232,277	63,500
Social Housing Grant Repaid		-	(243,727)
<b>Net cash outflow from investing activities</b>		(374,339)	(1,168,393)
<b>Financing Activities</b>			
Loan Facility set-up Fee		-	(75,785)
Interest Received on Cash and Cash Equivalents		30,219	15,105
Interest Paid on Loans		(489,631)	(507,223)
Loan Principal Repayments		(1,008,362)	(909,455)
Share Capital Issued		5	5
<b>Net cash outflow from financing activities</b>		(1,467,769)	(1,477,353)
<b>Increase in cash</b>		553,743	739,693
<b>Opening Cash &amp; Cash Equivalents</b>		3,592,245	2,852,552
<b>Closing Cash &amp; Cash Equivalents</b>		<b>4,145,988</b>	<b>3,592,245</b>
<b>Cash and Cash equivalents as at 31 March 2019</b>		4,145,988	3,592,245
		<b>4,145,988</b>	<b>3,592,245</b>

The notes on pages 14 to 32 form part of these financial statements.

# CLOCH HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Scottish Housing		Revenue Reserve	Total
	Share Capital	Association Pension reserve		
	£	£	£	£
<b>Balance as at 31 March 2017</b>	53	-	10,177,886	10,177,939
Issue of Shares	5	-	-	5
Cancellation of Shares	(5)	-	-	(5)
Surplus for the year	-	-	1,637,304	1,637,304
<b>Balance as at 31 March 2018</b>	<b>53</b>	<b>-</b>	<b>11,815,190</b>	<b>11,815,243</b>
<b>Balance as at 1 April 2018</b>	53	-	11,815,190	11,815,243
Issue of Shares	5	-	-	5
Cancellation of Shares	(5)	-	-	(5)
Other comprehensive income	-	(1,452,000)	674,291	(777,709)
Surplus for the year	-	-	1,487,671	1,487,671
<b>Balance as at 31 March 2019</b>	<b>53</b>	<b>(1,452,000)</b>	<b>13,977,152</b>	<b>12,525,205</b>

The notes on pages 14 to 32 form part of these financial statements.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

#### 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 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

#### Revenue

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

Government Grants are released to income over the expected useful life of the asset to which they relate.

#### Retirement Benefits

The Association participates in the Scottish Housing Association's Defined Benefit Pension Scheme and retirements 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 organisations taken as a whole. The Association accounts for this Scheme as a defined benefit pension scheme in accordance with FRS 102. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution scheme for new employees.

#### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 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.

<b>Component</b>	<b>Useful Economic Life</b>
Land	Not depreciated
Structure	50 years
Roof	50 years
Windows	30 years
Rewiring	30 years
Central Heating	30 years
Bathroom	20 years
Lifts	20 years
Kitchens	15 years
Boilers	15 years



# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

Asset Category	Depreciation Rate
Office Premises	2%
Furniture and Fittings	20%
Computer Equipment	33%

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

#### Social Housing Grant and Other Grants in Advance/Arrears

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

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

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

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

#### Sales Of Housing Properties

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

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

#### Leases/Leased Assets

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

#### 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.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

##### **a) The Categorisation of Housing Properties**

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

##### **b) Identification of cash generating units**

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

##### **c) Financial instrument break clauses**

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

##### **d) Pension Liability**

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

#### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

#### **Estimation Uncertainty**

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

##### **a) 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.

##### **b) 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.

##### **c) Useful life of properties, plant and equipment**

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

##### **d) Costs of shared ownership**

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

##### **e) Defined pension liability**

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

##### **f) Allocation of share of assets and liabilities for multi employer schemes**

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

	Notes	2019			2018		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	8,166,518	6,158,968	2,007,550	7,825,230	5,559,440	2,265,790
Other Activities	4	407,802	442,621	(34,819)	360,812	412,674	(51,862)
<b>Total</b>		<b>8,574,320</b>	<b>6,601,589</b>	<b>1,972,731</b>	<b>8,186,042</b>	<b>5,972,114</b>	<b>2,213,928</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Sheltered Housing £	Shared Ownership £	2019 Total £	2018 Total £
<b>Revenue from Lettings</b>					
Rent receivable net of service charges	6,028,989	257,363	46,986	6,333,338	6,102,745
Service charges receivable	41,916	121,644	-	163,560	105,577
<b>Gross income from rent and service charges</b>	<b>6,070,905</b>	<b>379,007</b>	<b>46,986</b>	<b>6,496,898</b>	<b>6,208,322</b>
Less: Rent losses from voids	51,535	6,983	-	58,518	63,777
<b>Net Rents Receivable</b>	<b>6,019,370</b>	<b>372,024</b>	<b>46,986</b>	<b>6,438,380</b>	<b>6,144,545</b>
Grants released from deferred income	1,544,333	54,048	18,932	1,617,313	1,617,709
Revenue grants from Scottish Ministers	110,825	-	-	110,825	62,976
<b>Total turnover from affordable letting activities</b>	<b>7,674,528</b>	<b>426,072</b>	<b>65,918</b>	<b>8,166,518</b>	<b>7,825,230</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	1,759,996	75,130	13,716	1,848,842	1,593,741
Service Costs	35,271	119,408	-	154,679	105,521
Planned and cyclical maintenance, including major repairs	666,982	26,393	-	693,375	551,222
Reactive maintenance costs	846,861	39,478	-	886,339	788,954
Bad Debts - rents and service charges	51,496	-	-	51,496	46,510
Depreciation of affordable let properties	2,415,519	83,014	25,704	2,524,237	2,473,492
<b>Operating costs of affordable letting activities</b>	<b>5,776,125</b>	<b>343,423</b>	<b>39,420</b>	<b>6,158,968</b>	<b>5,559,440</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,898,403</b>	<b>82,649</b>	<b>26,498</b>	<b>2,007,550</b>	<b>2,265,790</b>
<b>2018</b>	<b>2,177,226</b>	<b>93,933</b>	<b>(5,369)</b>		

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£	£	£
Wider role activities	123,950	10,120	134,070	-	175,367	(41,297)	(40,120)
Factoring	-	23,082	23,082	(8,237)	19,294	12,025	(1,139)
Care and Repair ( <b>Note 1</b> )	215,000	30,833	245,833	-	216,798	29,035	27,359
Common Housing Register	-	4,817	4,817	-	39,399	(34,582)	(37,962)
<b>Total From Other Activities</b>	<b>338,950</b>	<b>68,852</b>	<b>407,802</b>	<b>(8,237)</b>	<b>450,858</b>	<b>(34,819)</b>	<b>(51,862)</b>
<b>2018</b>	<b>283,916</b>	<b>76,896</b>	<b>360,812</b>	<b>1,026</b>	<b>411,648</b>	<b>(51,862)</b>	

### Note 1

Following severe budget cuts by Inverclyde Council and an inability to attract additional funding Cloch could not meet the service demands based on the available budget. Bridgewater Housing Association has now taken over the service, and they have joined up with their own Care and Repair Team who provide services for both Renfrewshire and East Renfrewshire Councils.

The Association no longer provide Care & Repair services.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OFFICERS' EMOLUMENTS

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

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

The number of Officers, including the highest paid Officer, who received emoluments over £60,000 was in the following ranges:

£60,001 to £70,000

£80,001 to £90,000

	2019	2018
	£	£
	193,266	188,084
	26,167	23,618
	74,290	72,056
	<u>309,154</u>	<u>294,644</u>
	Number	Number
	2	2
	<u>1</u>	<u>1</u>

### 6. EMPLOYEE INFORMATION

The average number of full time equivalent persons employed and providing services during the year was:

The average total number of staff employed during the year was:

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

Temporary, Agency and Seconded Staff

	2019	2018
	No.	No.
	33	30
	42	35
	£	£
	1,077,776	945,549
	109,202	88,024
	239,208	157,858
	92,621	160,856
	<u>1,518,807</u>	<u>1,352,287</u>

Included within Other Pension Costs above, is an amount of £51,248 which relates to adjustments in respect of the pension valuation provided by SHAPS.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. INTEREST PAYABLE & SIMILAR CHARGES

	2019	2018
	£	£
On Bank Loans & Overdrafts	489,631	507,223

### 8. SURPLUS FOR THE YEAR

	2019	2018
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	2,534,393	2,500,853
Auditors' Remuneration - Audit Services	8,210	7,919

### 9. 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.

### 10. OTHER FINANCE INCOME / CHARGES

	2019	2018
	£	£
Non Utilisation and Loan Set-Up Fees	21,299	75,785
Unwinding of Discount Pension Liabilities	-	8,721
Net interest on pension obligations	40,103	-
	<u>61,402</u>	<u>84,506</u>

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
<b>COST</b>				
As at 1 April 2018	106,958,265	537,749	921,131	108,417,145
Additions	276,860	288,190	-	565,050
Disposals	(543,284)	-	-	(543,284)
As at 31 March 2019	<u>106,691,841</u>	<u>825,939</u>	<u>921,131</u>	<u>108,438,911</u>
<b>DEPRECIATION</b>				
As at 1 April 2018	34,342,230	-	390,292	34,732,522
Charge for Year	2,445,421	-	25,704	2,471,125
Disposals	(490,172)	-	-	(490,172)
As at 31 March 2019	<u>36,297,479</u>	<u>-</u>	<u>415,996</u>	<u>36,713,475</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2019	<u>70,394,362</u>	<u>825,939</u>	<u>505,135</u>	<u>71,725,436</u>
As at 31 March 2018	<u>72,616,035</u>	<u>537,749</u>	<u>530,839</u>	<u>73,684,623</u>

Additions to housing properties include capitalised major repair costs to existing properties and costs associated with new build construction of £565,050 (2018 - £816,914), and purchase of properties for £Nil (2018 - £128,800).

All land and housing properties are heritable.

Total expenditure on properties in the year amounted to £1,856,574 (2018 - £2,285,890). The amount capitalised is £565,050 (2018 - £945,714) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £276,860 (2018 - £798,074), development costs of £288,190 (2018 - £18,840) and purchase of properties of £Nil (2018 - £128,800).

The Association's Lenders have standard securities over Housing Property with a carrying value of £51,967,356 (2018 - £52,620,539).

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Sheltered Housing F&F £	Computer Equipment £	Total £
<b>COST</b>					
As at 1 April 2018	1,159,444	57,997	18,374	141,026	1,376,841
Additions	24,442	662	-	16,462	41,566
As at 31 March 2019	<u>1,183,886</u>	<u>58,659</u>	<u>18,374</u>	<u>157,488</u>	<u>1,418,407</u>
<b>AGGREGATE DEPRECIATION</b>					
As at 1 April 2018	649,476	45,442	10,249	105,933	811,100
Charge for year	23,682	4,343	3,135	32,108	63,268
As at 31 March 2019	<u>673,158</u>	<u>49,785</u>	<u>13,384</u>	<u>138,041</u>	<u>874,368</u>
<b>NET BOOK VALUE</b>					
As at 31 March 2019	<u>510,728</u>	<u>8,874</u>	<u>4,990</u>	<u>19,447</u>	<u>544,039</u>
As at 31 March 2018	<u>509,968</u>	<u>12,555</u>	<u>8,125</u>	<u>35,093</u>	<u>565,741</u>

## 12. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>580,628</u>	<u>590,217</u>

The above commitments will be financed by the Association's own resources.

## 13. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	2,064	4,953
Later than one year and not later than five years	<u>-</u>	<u>2,064</u>



# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Arrears of Rent & Service Charges	142,326	130,307
<b>Less:</b> Provision for Doubtful Debts	<u>(82,078)</u>	<u>(74,667)</u>
	60,248	55,640
Other Receivables	274,307	306,050
Amounts Due from Group Undertakings	<u>14,459</u>	<u>19,690</u>
	<u>349,014</u>	<u>381,380</u>

## 15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Housing Loans	1,047,700	1,026,800
Trade Payables	197,366	209,325
Rent Received in Advance	358,630	342,236
Social Housing Grant in Advance	7,016	81,745
Other Taxation and Social Security	23,763	21,319
Amounts Due to Group Undertakings	26,643	105,041
Other Payables	419,684	480,444
Liability for Past Service Contributions	-	197,092
Accruals and Deferred Income	<u>289,981</u>	<u>596,484</u>
	<u>2,370,783</u>	<u>3,060,486</u>

At the Statement of Financial Position date there were pension contributions outstanding of £35,638 (2018 - £32,486).

Included in Housing Loans is a loan from Oak Tree Housing Association of £1,004,295 (2018 - £1,131,421) of which £127,126 (2018 - £127,126) is included as falling due within one year and £877,169 (2018 - £1,004,295) falling due after more than one year.

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Liability for Past Service Contributions	-	592,199
Housing Loans	13,925,418	14,954,680
	<u>13,925,418</u>	<u>15,546,879</u>
<b>Housing Loans</b>		
Amounts due within one year	1,047,700	1,026,800
Amounts due in one year or more but less than two years	1,236,400	1,036,900
Amounts due in two years or more but less than five years	374,450	3,189,900
Amounts due in more than five years	12,314,568	10,727,880
	<u>14,973,118</u>	<u>15,981,480</u>
Less: Amount shown in Current Liabilities	1,047,700	1,026,800
	<u>13,925,418</u>	<u>14,954,680</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	-	197,092
Amounts due in one year or more but less than two years	-	199,985
Amounts due in two years or more but less than five years	-	392,214
	<u>-</u>	<u>789,291</u>
Less: Amount shown in Current Liabilities	-	197,092
	<u>-</u>	<u>592,199</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Bank of Scotland	Standard security over 172 properties	4.3%	2037	Fixed
Bank of Scotland	Standard security over 59 properties	4.8%	2037	Fixed
Bank of Scotland	Standard security over 124 properties	2.3%	2042	Variable
Nationwide	Standard security over 32 properties	1.3%	2028	Variable
Nationwide	No security over properties	1.3%	2030	Variable
Nationwide	Standard security over 119 properties	1.3%	2027	Variable
Nationwide	Standard security over 13 properties	1.4%	2023	Variable
Nationwide	Standard security over 46 properties	1.6%	2025	Variable
Nationwide	Standard security over 145 properties	1.3%	2025	Variable
Royal Bank of Scotland	Standard security over 80 properties	3.8%	2027	Fixed
Oak Tree Housing Association	Standard security over 53 properties	3.0%	2027	Variable
Energy Savings Trust	No security over properties	0.0%	2027	Variable

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

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

### Reconciliation of surplus for the year to net cash inflow from operating activities

	2019 £	2018 £
Surplus for the year	1,487,671	1,637,304
Depreciation	2,587,505	2,500,853
Amortisation of Capital Grants	(1,617,316)	(1,608,640)
Change in debtors	32,366	(126,781)
Change in creditors	(438,782)	414,805
Unwinding of Discount on Pension Liability	(115,000)	(8,721)
Transfer of interest to financial activities	459,412	576,624
Share Capital Written Off	(5)	(5)
Net cash inflow from operating activities	<u>2,395,851</u>	<u>3,385,439</u>

### Reconciliation of net cash flow to movement in net debt

	2019		2018	
	£	£	£	£
Increase in cash	553,743		739,693	
Cashflow from change in net debt	1,600,561		1,477,348	
Movement in net debt during the year		2,154,304		2,217,041
Net debt at 1st April 2018		(12,981,434)		(15,198,475)
Net debt at 31 March 2019		<u>(10,827,130)</u>		<u>(12,981,434)</u>

### Analysis of changes in net debt

	At 01 April 2018	Cashflows	Other Changes	At 31 March 2019
	£	£	£	£
Cash at bank and in hand	3,592,245	553,743	-	4,145,988
Debt: Due within one year	3,592,245	553,743	-	4,145,988
Due after more than one year	(1,026,800)	1,600,561	(1,621,461)	(1,047,700)
Net Debt	(15,546,879)	-	1,621,461	(13,925,418)
	<u>(12,981,434)</u>	<u>2,154,304</u>	<u>-</u>	<u>(10,827,130)</u>

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
<b>Social Housing Grants</b>				
As at 1 April 2018	73,576,634	518,909	815,960	74,911,503
Additions in the year	-	307,006	-	307,006
Eliminated on disposal of components and property	(389,009)	-	-	(389,009)
As at 31 March 2019	<u>73,187,625</u>	<u>825,915</u>	<u>815,960</u>	<u>74,829,500</u>
<b>Amortisation</b>				
As at 1 April 2018	27,360,608	-	327,481	27,688,089
Amortisation in year	1,561,801	-	18,932	1,580,733
Eliminated on disposal	(372,960)	-	-	(372,960)
As at 31 March 2019	<u>28,549,449</u>	<u>-</u>	<u>346,413</u>	<u>28,895,862</u>
<b>Net book value</b>				
As at 31 March 2019	<u>44,638,176</u>	<u>825,915</u>	<u>469,547</u>	<u>45,933,638</u>
As at 31 March 2018	<u>46,216,026</u>	<u>518,909</u>	<u>488,479</u>	<u>47,223,414</u>
<b>Other Grants</b>				
As at 1 April 2018	984,411	-	-	984,411
Eliminated on disposal of components and property	(3,838)	-	-	(3,838)
As at 31 March 2019	<u>980,573</u>	<u>-</u>	<u>-</u>	<u>980,573</u>
<b>Amortisation</b>				
As at 1 April 2018	406,442	-	-	406,442
Amortisation in year	20,474	-	-	20,474
Eliminated on disposal	(3,778)	-	-	(3,778)
As at 31 March 2019	<u>423,138</u>	<u>-</u>	<u>-</u>	<u>423,138</u>
<b>Net book value</b>				
As at 31 March 2019	<u>557,435</u>	<u>-</u>	<u>-</u>	<u>557,435</u>
As at 31 March 2018	<u>577,969</u>	<u>-</u>	<u>-</u>	<u>577,969</u>
<b>Total grants net book value as at 31 March 2019</b>	<u>45,195,611</u>	<u>825,915</u>	<u>469,547</u>	<u>46,491,073</u>
<b>Total grants net book value as at 31 March 2018</b>	<u>46,793,995</u>	<u>518,909</u>	<u>488,479</u>	<u>47,801,383</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2019 £	2018 £
Amounts due within one year	1,601,207	1,608,640
Amounts due in one year or more	44,889,866	46,192,743
	<u>46,491,073</u>	<u>47,801,383</u>

## 19. SHARE CAPITAL

### Shares of £1 each Issued and Fully Paid

	2019 £	2018 £
As at 1 April 2018	53	53
Issued in year	5	5
Cancelled in year	(5)	(5)
As at 31 March 2019	<u>53</u>	<u>53</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.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. HOUSING STOCK

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

	2019 No.	2018 No.
General Needs	1,326	1,326
Shared Ownership	19	19
Supported Housing	62	59
	<u>1,407</u>	<u>1,404</u>

### 21. RELATED PARTY TRANSACTIONS

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

Those members who 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.

Any transactions between the Association and any entity with which a Board member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Board members (and their close family) were as follows:

	2019 £	2018 £
Rent received from tenants on the Board and their close family members	<u>12,599</u>	<u>12,325</u>

At the year end total rent arrears owed by the tenant members on the Board (and their close family) were £Nil (2018 - £Nil).

Members of the Board who are tenants	<u>2</u>	<u>2</u>
Members of the Board who are shared owners	<u>1</u>	<u>-</u>

### 22. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 19 Bogle Street, Greenock, PA15 1ER.

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

### 23. BOARD MEMBER EMOLUMENTS

Board members received £607 (2018 - £1,533) in the year by way of reimbursement of expenses. No remuneration is paid to Board members in respect of their duties to the Association.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24. INVESTMENTS

Investments in Subsidiaries	2019	2018
As at 1 April and 31 March	2	2

In the opinion of the Board 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 Statement of Financial Position.

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

### 25. CONTROLLING PARTY

The Association's parent undertaking at the reporting date was Oak Tree Housing Association Ltd, a charity registered under the Co-operative and Community Benefit Societies Act 2014. Oak Tree Housing Association Ltd exercises dominant control through its ability to control the majority of the membership of the Board. 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 transaction, available to 100% subsidiaries, within FRS102.

### 26. SHAPS PENSION PROVISION

	2019	2018
	£	£
As at 1 April 2018	-	-
Increase in Provision	1,452,000	-
Balance as at 31 March 2019	1,452,000	-

### 27. EXCEPTIONAL ITEM

	2019	2018
	£	£
Release of Care and Repair redundancy provision	35,754	-

**28. RETIREMENT BENEFIT OBLIGATIONS**

**Scottish Housing Association Pension Scheme**

Cloch Housing Association Limited participated 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 Association is an admitted body under The Scottish Association Pension Fund, the assets of which are held in a separate Trustee administered by Fund.

The last valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341m and indicated an increase in the shortfall of assets compared to liabilities to approximately £207m, equivalent to a past service funding level of 62.2%.

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

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

**Change in Accounting Estimate**

The pension fund is administered by The Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRS issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as a change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Statement of Financial Position. The change has been reflected in Other Comprehensive Income as follows:

## CLOCH HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS

##### Fair value of scheme assets by category

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Growth Assets	5,474	5,409
Matching Plus	247	213
Liability Driven Investment	392	360
Net Current Assets	221	227
	<u>6,334</u>	<u>6,209</u>

None of the assets are invested in the Association's assets.

##### Net Pension Liability

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fair value of employer's assets	6,334	6,209
Present value of scheme liabilities	(7,786)	(7,594)
	<u>(1,452)</u>	<u>(1,385)</u>

##### Reconciliation of fair value of employer assets

	<b>2019</b>
	<b>£000</b>
Opening fair value of employer assets	6,209
Expected Return on Assets	159
Contributions by Members	43
Contributions by the Employer	355
Actuarial Gains	150
Estimated Benefits Paid	(582)
<b>Closing fair value</b>	<u>6,334</u>

Actual return on return on assets in the year to 31 March 2019 was £309,000.

##### Reconciliation of defined benefit obligations

	<b>2019</b>
	<b>£000</b>
Opening defined benefit obligation	7,594
Current Service Cost	206
Interest Cost	193
Contributions by members	43
Actuarial Losses	332
Estimated Benefits Paid	(582)
<b>Closing defined benefit obligation</b>	<u>7,786</u>



## CLOCH HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS

	£
Opening defined benefit obligation as at 1 April 2018 (per actuary)	1,385,000
Opening past service deficit liability under previous recognition basis	(789,291)
	<hr/>
Movement to other comprehensive income	595,709
	<hr/>

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

#### Principal Actuarial Assumptions

Assumptions as at	<b>2019</b>	<b>2018</b>
	<b>%p.a.</b>	<b>%p.a.</b>
Salary increases	3.3%	3.2%
Inflation RPI	3.3%	3.2%
Inflation CPI	2.3%	2.2%
Discount Rate	2.4%	2.6%

Allowance for commutation of pension for cash at retirement is 75% of maximum allowance for both years.

The defined benefit obligation is estimated to comprise of the following:

	<b>2019</b>
Employee members	27
Deferred pensioners	18
Pensioners	15
	<hr/>
	60
	<hr/>

#### Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
	<b>(Years)</b>	<b>(Years)</b>
Current Pensioners	21.70	23.40
Future Pensioners	23.10	24.70

# CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 28. RETIREMENT BENEFIT OBLIGATIONS

### Analysis of amount charged to the Statement of Comprehensive Income

	2019 £000
Charged to operating costs:	
Service cost	51
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(159)
Interest on pension scheme liabilities	193
	34
<b>Net Charge to the Statement of Comprehensive Income</b>	<b>85</b>

### Actuarial Gain / (Loss) recognised in Other Comprehensive Income

	2019 £000
Experience on plan assets	150
Experience gains and losses arising on the plan liabilities - gain (loss)	226
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(20)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(538)
Total actuarial gains and losses recognised in Other Comprehensive Income	(182)