



**Alexander Sloan**  
Accountants and Business Advisers

# **Clydesdale Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No.HAL93**

**FCA Reference No. 2237RS**

**Scottish Charity No. SC034228**

# **CLYDESDALE HOUSING ASSOCIATION LIMITED**

## **CONTENTS**

	<b>Page</b>
MEMBERS OF THE MANAGEMENT COMMITTEE EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	5
REPORT OF THE AUDITORS	6
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CASHFLOWS	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS	12

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### MANAGEMENT COMMITTEE

Pauline Sandford	Chairperson
Jean Ramage	Secretary
Patrick Ross Taylor	Treasurer
Catherine McClymont	Council Representative
Don Anderson	
Clive Malins	
Jeanette Arneil	
Frank Caddell	
Christine Shookhye	
Susanne Crayton	
Lynsey Hamilton	
Gillian Callaghan	Appointed 07/09/16
Colin McInnes	Resigned 09/11/16
Malcolm Topper	Resigned 21/06/16
Iain Cochrane	Resigned 09/11/16
Catherine Cornwell	Appointed 07/09/16, Resigned 08/02/17
Carmena Nixon	Appointed 28/06/17

### EXECUTIVE OFFICERS

Joe Gorman	Chief Executive
Jane Guthrie	Deputy Chief Executive
Eileen Wilson	Finance Manager
Vicky Rogers	Technical Services Manager

### REGISTERED OFFICE

99 High Street  
Lanark  
ML11 7LN

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

Quinn Internal Audit  
12 Kingsknowe Road North  
Edinburgh  
EH14 2DG

### BANKERS

Royal Bank of Scotland  
88 High Street  
Lanark  
ML11 7ET

### SOLICITORS

Davidson & Shirley  
11 Hope Street  
Lanark  
ML11 7ND

### SOLICITORS

T.C. Young  
7 West George Street  
Glasgow  
G2 1BA

# **CLYDESDALE HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017**

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

### **Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2237RS. The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC034228.

### **Principal Activities**

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

### **Review of Business and Future Developments**

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. Turnover in the financial year to 31 March 2017 was £3,578,488 and slightly up on the previous year (2016 - £3,558,385) and the surplus of £713,282 represented a decrease on the previous year (2016 - £864,821).

Following consideration of a number of options for future office accommodation, the Association decided to pursue a new build opportunity on a site already owned in Lanark. As well as permanent offices, the project will also provide three mainstream flats for social rent in what is a high demand neighbourhood.

Investment in twenty-eight properties that previously failed the Scottish Housing Quality Standard's energy efficiency criteria led to them passing this standard by the end of the period. Work to develop options for future investment aimed at further improving the energy efficiency of properties located out with the mains gas network will continue in 2017/18.

Whereas the Association will assess the viability of further new housing development opportunities over the course of 2017/18, investment in future projects will only take place where there will be no detriment to the ongoing management and maintenance of existing housing stock.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### 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 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 2014 and the Determination of Accounting Requirements 2015. 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 members of 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.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### 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;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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

### 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**

**JEAN RAMAGE**  
Secretary  
30 August 2017



# CLYDESDALE HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF CLYDESDALE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

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

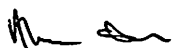
### Basis of Opinion

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

### Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
30 August 2017



**Alexander Sloan**  
Accountants and Business Advisers



We have audited the financial statements of Clydesdale Housing Association Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with 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 Financial Reporting Council's (FRC) Ethical Standards for Auditors.

#### **Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications 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 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

In our opinion the exemption granted by the Financial Conduct 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.
- 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.



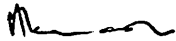
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CLYDESDALE HOUSING ASSOCIATION LIMITED**

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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  
30 August 2017



**Alexander Sloan**  
Accountants and Business Advisers

# CLYDESDALE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>REVENUE</b>	2.		3,578,488	3,558,385
Operating Costs	2.		(2,795,560)	(2,725,406)
<b>OPERATING SURPLUS</b>	9.		782,928	832,979
Gain On Sale Of Housing Stock	7.	37,960		183,192
Interest Receivable and Other Income		8,337		9,882
Interest Payable and Similar Charges	8.	(81,580)		(123,194)
Other Finance Charges	10.	(34,363)		(38,038)
			(69,646)	31,842
<b>SURPLUS FOR YEAR</b>			<b>713,282</b>	<b>864,821</b>
Other Comprehensive Income			-	-
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>713,282</b>	<b>864,821</b>


The notes on pages 12 to 26 form part of these financial statements.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>NON-CURRENT ASSETS</b>				
Housing Properties - Depreciated Cost	11.(a)		29,216,365	29,828,604
Other Non Current Assets	11.(b)		43,735	46,616
			<u>29,260,100</u>	<u>29,875,220</u>
<b>CURRENT ASSETS</b>				
Receivables	14.	163,964	260,672	
Cash at bank and in hand		4,789,737	4,359,277	
		<u>4,953,701</u>	<u>4,619,949</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15.	(774,385)	(715,858)	
<b>NET CURRENT ASSETS</b>			<u>4,179,316</u>	<u>3,904,091</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>33,439,416</u>	<u>33,779,311</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.		(4,585,784)	(4,888,093)
<b>DEFERRED INCOME</b>				
Social Housing Grants	18.	(17,797,589)	(18,536,028)	
Other Grants	18.	(336,466)	(348,907)	
			<u>(18,134,055)</u>	<u>(18,884,935)</u>
<b>NET ASSETS</b>			<u>10,719,577</u>	<u>10,006,283</u>
<b>EQUITY</b>				
Share Capital	19.		113	101
Revenue Reserves			10,719,464	10,006,182
			<u>10,719,577</u>	<u>10,006,283</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 30 August 2017.

Chairperson  


Treasurer  


Secretary  


The notes on pages 12 to 26 form part of these financial statements.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>Net Cash Inflow from Operating Activities</b>	17.		1,041,771	913,017
<b>Investing Activities</b>				
Acquisition and Construction of Properties		(433,506)	(103,879)	
Purchase of Other Fixed Assets		(4,692)	(11,022)	
Social Housing Grant Received		-	(56,597)	
Social Housing Grant Repaid		-	(65,020)	
Proceeds on Disposal of Properties		126,645	331,251	
<b>Net Cash (Outflow) / Inflow from Investing Activities</b>			(311,553)	94,733
<b>Financing Activities</b>				
Interest Received on Cash and Cash Equivalents		8,337	9,882	
Interest Paid on Loans		(83,046)	(123,194)	
Loan Principal Repayments		(225,066)	(199,581)	
Share Capital Issued		17	5	
<b>Net Cash Outflow from Financing</b>			(299,758)	(312,888)
<b>Increase in Cash</b>			430,460	694,862
<b>Opening Cash &amp; Cash Equivalents</b>			4,359,277	3,664,415
<b>Closing Cash &amp; Cash Equivalents</b>			<u>4,789,737</u>	<u>4,359,277</u>
<b>Cash and Cash equivalents as at 31 March 2017.</b>				
Cash			4,789,737	4,359,277
			<u>4,789,737</u>	<u>4,359,277</u>

The notes on pages 12 to 26 form part of these financial statements.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	132	9,141,361	9,141,493
Issue of Shares	5	-	5
Cancellation of Shares	(36)	-	(36)
Deficit for Year	-	864,821	864,821
<b>Balance as at 31st March 2016</b>	<b>101</b>	<b>10,006,182</b>	<b>10,006,283</b>
<b>Balance as at 1st April 2016</b>	101	10,006,182	10,006,283
Issue of Shares	17	-	17
Cancellation of Shares	(5)	-	(5)
Deficit for Year	-	713,282	713,282
<b>Balance as at 31st March 2017</b>	<b>113</b>	<b>10,719,464</b>	<b>10,719,577</b>

The reserves opening balance at 1st April 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, 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 2015. 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 of the asset to which it relates.

##### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme. This is a defined benefit scheme and payments to this scheme are made in accordance with periodic calculations by consulting Actuaries.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

##### Valuation Of Housing Properties

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

Component	Useful Economic Life
Land	Not depreciated
Structure	50 years
Kitchen	15 years
Bathrooms	30 years
Roofs	50 years
Windows	30 years
External Doors	25 years
Rewiring	40 years
Boilers	15 years
Radiators	20 years

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 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:-

Office Premises	- 3.33%
Furniture and Fittings	- 15%
Computer & Office Equipment	- 33.33%

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 it relates.

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

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

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

#### **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 of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for 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.

#### **Estimation Uncertainty**

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

##### **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 an percentage basis split across the number of properties the Association owns.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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.

##### **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 Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

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

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

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

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

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

The Association considers its cash-generating units to be the 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 Management Committee, 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***

In March 2016 the Association received details from the Pension Trust of the final valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feel this is the best available estimate of the past service liability.

##### **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



# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

		2017			2016		
	Notes	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
<b>Affordable letting activities</b>	3.	3,568,205	2,787,687	780,518	3,549,021	2,719,686	829,335
<b>Other Activities</b>	4.	10,283	7,873	2,410	9,364	5,720	3,644
<b>Total</b>		<b>3,578,488</b>	<b>2,795,560</b>	<b>782,928</b>	<b>3,558,385</b>	<b>2,725,406</b>	<b>832,979</b>

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

	General Needs Housing £	Shared ownership £	2017 Total £	2016 Total £
<b>Revenue from Lettings</b>				
Rent Receivable Net of Service Charges	2,812,076	24,977	2,837,053	2,800,319
Service Charges	50,814	2,629	53,443	56,395
<b>Gross income from rent and service charges</b>	<b>2,862,890</b>	<b>27,606</b>	<b>2,890,496</b>	<b>2,856,714</b>
<b>Less: Rent losses from voids</b>	<b>16,626</b>	<b>1,824</b>	<b>18,450</b>	<b>16,652</b>
<b>Net Rents Receivable</b>	<b>2,846,264</b>	<b>25,782</b>	<b>2,872,046</b>	<b>2,840,062</b>
Grants released from deferred income	654,727	12,620	667,347	624,525
Revenue grants from Scottish Ministers	28,812	-	28,812	84,434
<b>Total turnover from affordable letting activities</b>	<b>3,529,803</b>	<b>38,402</b>	<b>3,568,205</b>	<b>3,549,021</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	899,515	20,651	920,166	857,821
Service Costs	77,951	1,161	79,112	73,591
Planned and cyclical maintenance, including major repairs	445,126	-	445,126	469,069
Reactive maintenance costs	388,237	-	388,237	357,631
Bad Debts - rents and service charges	13,658	203	13,861	13,942
Depreciation of affordable let properties	927,570	13,615	941,185	947,632
<b>Operating costs of affordable letting activities</b>	<b>2,752,057</b>	<b>35,630</b>	<b>2,787,687</b>	<b>2,719,686</b>
<b>Operating surplus on affordable letting activities</b>	<b>777,746</b>	<b>2,772</b>	<b>780,518</b>	<b>829,335</b>
<b>2016</b>	<b>820,960</b>	<b>8,375</b>		

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£
Factoring	-	10,283	10,283	-	7,873	2,410	2,477
Other activities	-	-	-	-	-	-	1,167
<b>Total From Other Activities</b>	<b>-</b>	<b>10,283</b>	<b>10,283</b>	<b>-</b>	<b>7,873</b>	<b>2,410</b>	<b>3,644</b>
<b>2016</b>	<b>-</b>	<b>9,364</b>	<b>9,364</b>	<b>-</b>	<b>5,720</b>	<b>3,644</b>	

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

	2017	2016
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>64,330</u>	<u>63,692</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>9,456</u>	<u>7,677</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>64,330</u>	<u>63,692</u>
Total Emoluments paid to key management personnel	<u>251,843</u>	<u>226,043</u>

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	<u>1</u>	<u>1</u>

#### 6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>12</u>	<u>12</u>
The average total number of Employees employed during the year was	<u>15</u>	<u>14</u>
Staff Costs were:	£	£
Wages and Salaries	470,290	456,289
Social Security Costs	47,057	43,540
Other Pension Costs	66,777	56,377
	<u>584,124</u>	<u>556,206</u>

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	126,645	331,251
Cost of Sales	88,685	148,059
Gain On Sale Of Housing Stock	<u>37,960</u>	<u>183,192</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>81,580</u>	<u>123,194</u>

## 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	944,180	953,352
Auditors' Remuneration - Audit Services	8,531	8,496
Auditors' Remuneration - Other Services	600	3,340
Operating Lease Rentals - Land & Buildings	9,500	9,500
Gain on sale of fixed assets	<u>(37,960)</u>	<u>(183,192)</u>

## 10. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>34,363</u>	<u>38,038</u>

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2016	41,894,414	-	874,137	42,768,551
Additions	420,697	12,809	-	433,506
Disposals	(158,640)	-	(149,664)	(308,304)
As at 31st March 2017	<u>42,156,471</u>	<u>12,809</u>	<u>724,473</u>	<u>42,893,753</u>
<b>DEPRECIATION</b>				
As at 1st April 2016	12,650,023	-	289,924	12,939,947
Charge for Year	922,992	-	13,615	936,607
Disposals	(140,928)	-	(58,238)	(199,166)
As at 31st March 2017	<u>13,432,087</u>	<u>-</u>	<u>245,301</u>	<u>13,677,388</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2017	<u>28,724,384</u>	<u>12,809</u>	<u>479,172</u>	<u>29,216,365</u>
As at 31st March 2016	<u>29,244,391</u>	<u>-</u>	<u>584,213</u>	<u>29,828,604</u>

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £420,697 (2016 - £103,879)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £1,254,060. The amount capitalised is £420,697 with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £420,697 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £14,320,630 (2016 - £14,725,874).

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>			
As at 1st April 2016	72,879	43,553	116,432
Additions	-	4,692	4,692
As at 31st March 2017	<u>72,879</u>	<u>48,245</u>	<u>121,124</u>
<b>AGGREGATE DEPRECIATION</b>			
As at 1st April 2016	40,437	29,379	69,816
Charge for year	2,427	5,146	7,573
As at 31st March 2017	<u>42,864</u>	<u>34,525</u>	<u>77,389</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2017	<u>30,015</u>	<u>13,720</u>	<u>43,735</u>
As at 31st March 2016	<u>32,442</u>	<u>14,174</u>	<u>46,616</u>

#### 12. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>595,250</u>	<u>-</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Land and Buildings</b>		
Not later than one year	<u>4,750</u>	<u>8,550</u>

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	103,158	118,283
<b>Less: Provision for Doubtful Debts</b>	<b>(37,365)</b>	<b>(37,365)</b>
	<u>65,793</u>	<u>80,918</u>
Social Housing Grant Receivable	27,889	56,597
Other Receivables	70,282	123,157
	<u>163,964</u>	<u>260,672</u>

## 15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	228,236	222,691
Rent in Advance	80,780	37,839
Other Taxation and Social Security	13,924	12,571
Other Payables	157,647	92,037
Liability for Past Service Contributions	104,668	107,943
Accruals and Deferred Income	189,130	242,777
	<u>774,385</u>	<u>715,858</u>

At the balance sheet date there were pension contributions outstanding of £15,212 (2016 £16,661).

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	429,880	501,577
Housing Loans	4,155,904	4,386,516
	<u>4,585,784</u>	<u>4,888,093</u>
<b>Housing Loans</b>		
Amounts due within one year	228,236	222,691
Amounts due in one year or more but less than two years	230,829	224,726
Amounts due in two years or more but less than five years	706,106	689,808
Amounts due in more than five years	3,218,969	3,471,982
	<u>4,384,140</u>	<u>4,609,207</u>
Less: Amount shown in Current Liabilities	228,236	222,691
	<u>4,155,904</u>	<u>4,386,516</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	104,668	107,943
Amounts due in one year or more but less than two years	106,679	101,264
Amounts due in two years or more but less than five years	323,201	305,959
Amounts due in more than five years	-	94,354
	<u>534,548</u>	<u>609,520</u>
Less: Amount shown in Current Liabilities	104,668	107,943
	<u>429,880</u>	<u>501,577</u>

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

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
RBS	Standard Security over 89 properties	0.55%	2036	Variable
RBS	Standard Security over 98 properties	1.64%	2036	Fixed
RBS	Standard Security over 98 properties	5.02%	2036	Fixed
RBS	Standard Security over 49 properties	0.55%	2036	Variable
RBS	Standard Security over 110 properties	0.55%	2040	Variable

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2016 - 2.64%).



# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

	2017	2016
	£	£
<b>Reconciliation of operating surplus to balance as at 31 March 2017</b>		
Operating Surplus	782,928	832,979
Depreciation	957,861	953,350
Amortisation of Capital Grants	(676,452)	(624,525)
Change in debtors	96,708	(12,884)
Change in creditors	(84,906)	(196,514)
Gain on sale of other fixed assets	-	(1,315)
Unwinding of Discount on Pension Liability	(34,363)	(38,038)
Share Capital Written Off	(5)	(36)
	<u>1,041,771</u>	<u>913,017</u>

18. DEFERRED INCOME	Housing Properties Held for Letting	Shared Ownership Properties	Total
	£	£	£
<b>Social Housing Grants</b>			
Balance as at 1st April 2016	28,291,492	712,190	29,003,682
Eliminated on disposal	(114,152)	(127,980)	(242,132)
Balance as at 31st March 2017	<u>28,177,340</u>	<u>584,210</u>	<u>28,761,550</u>
<b>Amortisation</b>			
Balance as at 1st April 2016	10,199,558	268,096	10,467,654
Amortisation in year	642,403	12,620	655,023
Eliminated on disposal	(105,041)	(53,675)	(158,716)
Balance as at 31st March 2017	<u>10,736,920</u>	<u>227,041</u>	<u>10,963,961</u>
<b>Net book value</b>			
Balance as at 31st March 2017	<u>17,440,420</u>	<u>357,169</u>	<u>17,797,589</u>
Balance as at 31st March 2016	<u>18,091,934</u>	<u>444,094</u>	<u>18,536,028</u>
<b>Other Grants</b>			
Balance as at 1st April 2016	532,642	-	532,642
Eliminated on disposal	(3,445)	-	(3,445)
Balance as at 31st March 2017	<u>529,197</u>	<u>-</u>	<u>529,197</u>
<b>Amortisation</b>			
Balance as at 1st April 2016	183,735	-	183,735
Amortisation in year	12,324	-	12,324
Eliminated on disposal	(3,328)	-	(3,328)
Balance as at 31st March 2017	<u>192,731</u>	<u>-</u>	<u>192,731</u>
<b>Net book value</b>			
Balance as at 31st March 2017	<u>336,466</u>	<u>-</u>	<u>336,466</u>
Balance as at 31st March 2016	<u>348,907</u>	<u>-</u>	<u>348,907</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>17,776,886</u>	<u>357,169</u>	<u>18,134,055</u>

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

	2017	2016
	£	£
Amounts due within one year	667,347	624,525
Amounts due after more than one year	<u>17,466,708</u>	<u>18,260,410</u>
	<u>18,134,055</u>	<u>18,884,935</u>

# CLYDESDALE HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2016	101
Issued in year	17
Cancelled in year	<u>(5)</u>
At 31st March 2017	<u>113</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.

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017 No.	2016 No.
General Needs - Built by Association	580	580
General Needs - Purchased by Association	158	159
Shared Ownership	<u>10</u>	<u>12</u>
	<u>748</u>	<u>751</u>

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. RELATED PARTY TRANSACTIONS

Members of the Management Committee 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.

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 is made at arm's length and under normal commercial terms.

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

	£
Rent and factoring received from Tenants on the Committee and their close family members	23,463

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £708.

Members of the Committee who are tenants	8
Members of the Committee who are local councillors	1

## 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 99 High Street, Lanark, ML11 7LN.

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

## 23. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £4,858 in the year by way of reimbursement of expenses. (2016 - £3,348). No remuneration is paid to Management Committee members in respect of their duties in the Association.

# CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. RETIREMENT BENEFIT OBLIGATIONS

### General

Clydesdale 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 has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit scheme.

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 FRS102 represents the employer contribution payable.

The last provisional valuation of the Scheme was performed as at 30th 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 operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £534,548 (2016 - £609,520). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Association made payments totalling £109,234 (2016: £106,053) to the pension scheme during the year.

**CLIENT: Forward Finance**  
**YEAR END: 30 June 2017**

**21-1**

**INTEREST EARNED**      Prepared by: MF      Date: 18/07/2017  
Reviewed by:      Date:

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	<b>Ref</b>	<b>£</b>
Interest on loans received (£88,379 / 3)		29,459.67
Adjustment	<b>7-2</b>	1,527.33
Adjustment to loan repaid		(2,139.32)
		<u>28,847.68</u>
		<u>A/Cs</u>