

COPPERWORKS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

COPPERWORKS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

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COPPERWORKS HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2019

Auditors

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

Bankers

Clydesdale Bank plc
Head Office
30 St Vincent Street
Glasgow, G1 2EU

Legal advisors

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

Brechin Tindal Oatts
Solicitors
40 St Vincent Street
Glasgow
G2 5HS

Registered Office

43 Tharsis Street
Glasgow
G21 2LF

Registration information

Scottish Housing Regulator:	HAC 233
Financial Conduct Authority:	2379
Registered Scottish Charity:	SC045357

COPPERWORKS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2019

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2019.

Principal activities

The principal activities of the Association are the provision, construction, improvement and management of rented and shared-ownership accommodation. The results for the year are as shown in the attached Statement of Comprehensive Income. The deficit for the year after taxation was £14,403 (2018 - surplus £133,221).

Changes in fixed assets

Details of changes in fixed assets are set out in Note 12.

Review of business and future developments

Throughout the year the Committee continued to direct the Association in carrying out its core business of providing, managing and maintaining affordable good quality rented accommodation.

Defined benefit accounting - Scottish Housing Associations' Pension Scheme (the Scheme)

The Association participates in the Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. In previous years it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme and has accounted for it as a defined contribution scheme.

With effect from 1st April 2018 information to use the defined benefit method of accounting has become available from TPT Retirement Solutions and has been applied for the year ended 31st March 2019. Under the new accounting treatment the liability at 1st April 2018 has decreased by £16,000 and the change has been accounted for as a change in accounting estimate. These figures have placed reliance on the actuarial assumptions of qualified actuaries which are considered reasonable and appropriate.

The Committee of Management and Executive Officer

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

Executive Officer

F. Murphy, the executive officer of Spire View Housing Association Limited provides executive management services on the basis of a service agreement.

Committee of Management

. M. Flynn	(Chairperson)	. C. Collins	
. J. Laing	(Vice-Chairperson)	. L. Paulino	
. G. McLaughlin	(Secretary)	. M. McHugh	(Resigned 30.10.18)
. R. Gallagher	(Treasurer)	. S. Penrice	
. F. Dioka		. P. Kane	(Resigned 24.04.18)
. V. Mullen			(Co-opted 29.05.18)
. R. McLaughlin		. N. Brown	(Co-opted 25.09.18)
		. A. Shute	(Co-opted 28.05.19)

At the Annual General Meeting one third of all serving members of the Committee will retire from office and may stand for re-election (if eligible as per the model rules). The members to retire shall be those who have been longest in office since they last became members of the Committee or who have filled a casual vacancy.

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

COPPERWORKS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2019

Corporate Governance

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

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

Statement of Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing these financial statements, the Committee is required to:-

- . Select suitable accounting policies and then apply them consistently;
- . Make judgements that are reasonable and prudent;
- . State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- . Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business;
- . Prepare a statement on internal financial control.

The Committee is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to Auditors

So far as the Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

A resolution to appoint a new external auditor will be put to the members at the annual general meeting.

By order of the Committee


Secretary

Dated : 27 / 08 / 2019

COPPERWORKS HOUSING ASSOCIATION LIMITED
COMMITTEE STATEMENT ON THE ASSOCIATION'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH 2019

The Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- . the reliability of financial information used within the Association or for publication;
- . the maintenance of proper accounting records;
- . the safeguarding of assets (against unauthorised use or disposition).

It is the Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- . formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- . experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- . regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets being investigated as appropriate;
- . regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- . all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee members and others;
- . the Committee review reports from management, from directors, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association;
- . formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2019 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Committee

Secretary

Dated : 27/08/2019

COPPERWORKS HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE COMMITTEE

ON CORPORATE GOVERNANCE MATTERS

FOR THE YEAR ENDED 31ST MARCH 2019

Corporate Governance

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

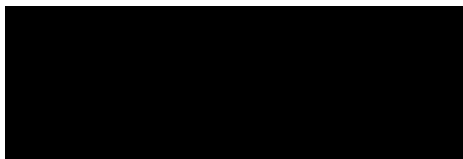
Basis of opinion

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

Opinion

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

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



Adam I Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Date : 17th September 2019

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF COPPERWORKS HOUSING ASSOCIATION LIMITED**

Opinion

We have audited the financial statements of Copperworks Housing Association Limited for the year ended 31st March 2019 which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with 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 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 31st March 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

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 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 Management Committee members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee members have 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 Management Committee is responsible for the other information. The other information comprises the information in the Report of the Management Committee, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF COPPERWORKS HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Committee report.

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements 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.

Responsibilities of the Management Committee

As explained more fully in the Statement of Committee's Responsibilities set out on page three, the Management Committee is 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 Management Committee determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are 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 Management Committee members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 it 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 the 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 Management Committee members;
- conclude on the appropriateness of the Management Committees' 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF COPPERWORKS HOUSING ASSOCIATION LIMITED**

Auditor's responsibilities for the audit of the financial statements (continued)

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.



Adam I Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Dated : 17th September 2019

COPPERWORKS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019	2018
		£	£
Turnover	2	1,153,599	1,079,234
Operating costs	2	1,062,080	923,931
Operating surplus	2	<u>91,519</u>	<u>155,303</u>
Loss on disposal of property		-	(9,390)
Interest receivable and other income	9	3,146	918
Interest payable and similar charges	10	(11,068)	(8,610)
Other finance charges	11	(4,000)	(3,000)
Surplus for year		<u>79,597</u>	<u>135,221</u>
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	19	16,000	-
Actuarial gain/(loss) recognised in the pension liability		(110,000)	-
Remeasurements - amendment to contribution schedule		-	(2,000)
Total comprehensive income/(deficit) for the year		<u>(14,403)</u>	<u>133,221</u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

COPPERWORKS HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

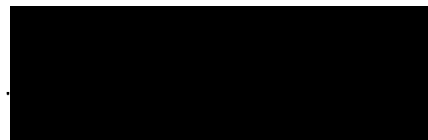
AS AT 31ST MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Tangible assets - social housing	12a	5,730,929	5,449,389
Other tangible assets - plant and equipment	12b	136	540
		<u>5,731,065</u>	<u>5,449,929</u>
Current assets			
Debtors	13	114,159	120,906
Cash at bank and in hand		<u>1,495,463</u>	<u>1,742,716</u>
		1,609,622	1,863,622
Creditors: amounts falling due within one year	14	(217,779)	(257,423)
Net current assets		<u>1,391,843</u>	<u>1,606,199</u>
Total assets less current liabilities		7,122,908	7,056,128
Creditors : amounts falling due after more than one year	15	(871,590)	(1,064,752)
Deferred Income			
Deferred capital grants - Social Housing Grants	16	(134,958)	(95,601)
Restricted grant	17	(400,000)	(400,000)
Pension Scheme liability	19	(235,000)	-
Net assets		<u>5,481,360</u>	<u>5,495,775</u>
Equity			
Share capital	18	119	131
Revenue reserves		5,481,241	5,495,644
		<u>5,481,360</u>	<u>5,495,775</u>

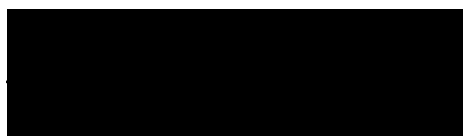
These financial statements were approved by the Committee on 27/03/2019 and signed on their behalf by:



Chairperson



Treasurer



Secretary

The notes form part of these financial statements.

COPPERWORKS HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2017	195	5,362,423	5,362,618
Issue of shares	17	-	17
Cancellation of shares	(81)	-	(81)
Total comprehensive income	-	133,221	133,221
Balance as at 31st March 2018	<u>131</u>	<u>5,495,644</u>	<u>5,495,775</u>
 Balance as at 1st April 2018	 131	 5,495,644	 5,495,775
Issue of shares	10	-	10
Cancellation of shares	(22)	-	(22)
Total comprehensive income/(deficit)	-	(14,403)	(14,403)
Balance as at 31st March 2019	<u>119</u>	<u>5,481,241</u>	<u>5,481,360</u>

COPPERWORKS HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities	1	<u>185,822</u>	<u>7,179</u>
Cash flows from investing activities			
Payments to acquire and develop housing properties and land		(443,428)	(23,243)
Grants received		71,974	421,963
Interest received		3,146	918
Proceeds of sale of fixed assets		-	13,600
Net cash outflow from investing activities		<u>(368,308)</u>	<u>413,238</u>
Cashflow from financing activities			
Interest paid		(11,068)	(8,610)
Repayments of borrowings		(53,709)	(54,595)
Issue of share capital		10	17
Net cash outflow from financing activities		<u>(64,767)</u>	<u>(63,188)</u>
Net change in cash and cash equivalents		<u>(247,253)</u>	357,229
Cash and cash equivalents at the beginning of the year		1,742,716	1,385,487
Cash and cash equivalents at the end of the year		<u>1,495,463</u>	<u>1,742,716</u>

Notes

1) Cashflow from operating activities	2019	2018
	£	£
Surplus/(deficit) for the year	(14,403)	133,221
Adjustments for non cash items		
Depreciation of tangible fixed assets	162,292	156,686
(Increase)/decrease in trade and other debtors	6,747	17,055
Increase/(decrease) in trade and other creditors	(26,963)	(271,802)
Pension costs less contributions payable	51,000	(44,000)
Share capital written off	(22)	(81)
Amortisation of Grants	(751)	(751)
Carrying amount of tangible fixed assets	-	22,759
Proceeds from the sale of tangible fixed assets	-	(13,600)
Adjustments for investing or financing activities		
Interest payable	11,068	8,610
Interest receivable	(3,146)	(918)
	<u>185,822</u>	<u>7,179</u>

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

To comply with the amendments to FRS 102 regarding multi-employer defined benefit plans, the accounting treatment for the membership of Scottish Housing Associations' Pension Scheme (SHAPS) has been included as a defined benefit scheme with effect from 1st April 2018. To comply with FRS 102 the impact of the transition from defined contribution accounting to defined benefit accounting has been presented as other comprehensive income and has been accounted for as a change in accounting estimate in accordance with the amendments to FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, relating to multi-employer defined benefit plans.

Copperworks Housing Association Limited is a public benefit entity (PBE).

Turnover

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

Housing properties

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

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

Depreciation - housing properties

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

Building	100 years	Radiators	30 years
Roof	50 years	Boilers	15 years
Electrical systems	30 years	Bathrooms	22 years
Windows	30 years	Kitchens	15 years

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at annual rates :-

Furniture and Fittings	- 20% Reducing balance
Computer Equipment	- 33% Straight line

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

Social Housing Grant and other grants

On transition to FRS 102 the Co-operative has taken the option of treating the valuation of the housing property as its deemed cost. All Social Housing Grants prior to that date have therefore been written back to the Statement of Comprehensive Income.

Social housing grants and other capital grants are now 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.

Capitalisation of interest

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

Sales of housing properties

Surpluses and deficits on the sale of housing properties are accounted for in the Statement of Comprehensive Income in the year of disposal.

The surplus or deficit is shown on the face of the Statement of Comprehensive Income.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income in the period to which they relate.

Cyclical and planned maintenance

The costs of £170,009 (2018: £136,984) are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Development administration costs

Administration expenses which relate to development and are incremental to the other costs of the Association are capitalised.

Mortgages

Mortgage loans are advanced by Private Lenders, Local Authorities or the Scottish Housing Regulator under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by the Scottish Development Department or the Scottish Housing Regulator.

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

Pension costs

As explained above, this is a change in the accounting treatment from the previous year when the defined contribution method of accounting was used. The transitional adjustment has been included in other comprehensive income.

The Scottish Housing Associations' Pension Scheme is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the services lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

The Association from July 2014 agreed to participate in a defined contribution pension scheme with Scottish Housing Associations Pension Scheme. This scheme replaces the defined benefit scheme. The costs to the Association of such pension contributions are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Judgements in applying policies and key sources of 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 Copperworks Housing Association Limited's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent arrears - bad debt provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action.

Life cycle of components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

The categorisation of housing properties

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

Identification of cash generating units

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

Obligations under SHAPS pension scheme

The accounting for the pension scheme and the transition from defined contribution disclosure to defined benefit has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

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

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

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

		2019	Operating	Operating
	Turnover	Operating	Costs	surplus /
	£	£	(deficit)	£
Income and expenditure from lettings				
Social lettings	971,490	867,505		103,985
Other activities	182,109	194,575	(12,466)
Total	1,153,599	1,062,080		91,519
	Turnover	2018	Operating	Operating
	£	Operating	costs	surplus /
	£	£	(deficit)	£
Social lettings	941,696	785,128		156,568
Other activities	137,538	138,803	(1,265)
Total	1,079,234	923,931		155,303

3. Particulars of income and expenditure from social letting activities

	2019	2018
	£	£
Income from letting		
Rent receivable net of identifiable service charges	972,079	942,405
Less : voids	(1,340)	(1,460)
Release of deferred capital grants	751	751
Total turnover from social letting activities	971,490	941,696
Expenditure on lettings		
Management and maintenance admin costs	423,876	407,433
Reactive maintenance	107,546	88,517
Planned maintenance	170,009	136,984
Bad debts - rents and service charges	4,186	(458)
Depreciation of social housing	161,888	152,652
Total expenditure on lettings	867,505	785,128
Operating surplus for social lettings for 2019	103,985	156,568

The income and expenditure from social letting activities all relates to general needs housing.

No service charges were receivable on housing accommodation not eligible for housing benefit (2018 - £Nil).

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Scottish Ministers' Grants £	Other Income £	Total Turnover £	Operating Costs £	Operating Surplus /(Deficit) 2019 £	Operating Surplus /(Deficit) 2018 £
Factoring services	-	8,976	8,976	8,976	-	8,571
Medical adaptations	34,418	-	34,418	31,416	3,002	189
Wider action	69,000	2,525	71,525	87,015	(15,490)	(10,106)
Contracted services for RSL	-	67,168	67,168	67,168	-	-
Other income	-	22	22	-	22	81
Total for other activities for 2019	<u>103,418</u>	<u>78,691</u>	<u>182,109</u>	<u>194,575</u>	<u>(12,466)</u>	<u>(1,265)</u>
Total for other activities for 2018	<u>19,405</u>	<u>118,133</u>	<u>137,538</u>	<u>138,803</u>	<u>(1,265)</u>	

5. Surplus for year

	2019 £	2018 £
Surplus is stated after charging (crediting):-		
Operating lease	14,696	13,127
Loss on sale - tangible other fixed assets	-	9,390
Depreciation - tangible land & buildings fixed assets	161,888	152,652
Depreciation - tangible other assets	404	4,034
Auditors' remuneration (incl. VAT)	6,000	6,104
Bad debts	<u>4,186</u>	<u>(458)</u>

6. Loss on sale of housing stock

	2019 £	2018 £
Proceeds of sale	<u>-</u>	<u>13,600</u>
Value of property	-	22,759
Other costs	<u>-</u>	<u>231</u>
	<u>-</u>	<u>22,990</u>
Loss on sale of housing stock	<u>-</u>	<u>(9,390)</u>

7. Directors emoluments

No remuneration was paid to the directors (defined as the Committee of Management and Chief Executive of Copperworks Housing Association Limited) during the year (2018: £nil).

	2019 £	2018 £
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax	<u>1,573</u>	<u>2,107</u>

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

8. Employee information

	2019	2018
	No.	No.
The monthly average number of full time equivalent employees during the year was :-	<u>6</u>	<u>6</u>

	2019	2018
	£	£
Staff costs (including Executive emoluments)		
Wages and salaries	196,549	187,530
Social security costs	17,159	18,459
Pension contributions	14,134	14,418
	<u>227,842</u>	<u>220,407</u>

9. Interest receivable and similar income

	2019	2018
	£	£
Interest receivable	<u>3,146</u>	<u>918</u>

10. Interest payable and similar charges

	2019	2018
	£	£
Other interest payable	<u>11,068</u>	<u>8,610</u>

11. Other finance income / charges

	2019	2018
	£	£
Defined benefit pension scheme net interest	4,000	-
Unwinding of discounted liabilities and remeasurement	<u>-</u>	<u>3,000</u>
	<u>4,000</u>	<u>3,000</u>

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

12. **Non-current assets**
a) **Housing properties**

	Housing Property Held for Letting £	Land £	Total £
Deemed Cost			
As at 1st April 2018	6,058,117	23,243	6,081,360
Additions during year	4,600	438,828	443,428
As at 31st March 2019	<u>6,062,717</u>	<u>462,071</u>	<u>6,524,788</u>
Depreciation			
As at 1st April 2018	631,971	-	631,971
Charge for year	161,888	-	161,888
As at 31st March 2019	<u>793,859</u>	<u>-</u>	<u>793,859</u>
Net book value at 31.03.19	<u>5,268,858</u>	<u>462,071</u>	<u>5,730,929</u>
Net book value at 31.03.18	<u>5,426,146</u>	<u>23,243</u>	<u>5,449,389</u>

All housing property is freehold.

No development administration costs were capitalised during the year.

b) **Other tangible assets**

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
As at 1 st April 2018 and 31 st March 2019	<u>53,557</u>	<u>23,830</u>	<u>77,387</u>
Aggregate depreciation			
As at 1st April 2018	53,557	23,290	76,847
Provided in year	-	404	404
As at 31st March 2019	<u>53,557</u>	<u>23,694</u>	<u>77,251</u>
Net book value at 31.03.19	<u>-</u>	<u>136</u>	<u>136</u>
Net book value at 31.03.18	<u>-</u>	<u>540</u>	<u>540</u>

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

13. Trade and other receivables

	2019	2018
	£	£
Rental debtors	19,337	18,969
Prepayments and accrued income	44,741	53,077
Other debtors	50,081	48,860
	<u>114,159</u>	<u>120,906</u>

14. Creditors - Amounts falling due within one year

	2019	2018
	£	£
Loans	58,728	58,780
Liability for past service contributions	-	44,495
Rent overpayments	34,090	33,805
Trade payables	26,448	30,471
Grants	31,866	-
Other creditors	61,128	84,662
Other taxes and social security	5,519	5,210
	<u>217,779</u>	<u>257,423</u>

15. Creditors due outwith one year

	2019	2018
	£	£
Housing loans	871,590	925,247
Liability for past service contributions	-	139,505
	<u>871,590</u>	<u>1,064,752</u>

The Association has three loans with Nationwide Building Society. The facilities total £930,318 and will be fully repaid during 2034. The loans are secured over the housing property. The interest rate was 0.98% (variable) during the year.

	2019	2018
	£	£
Due within one year	<u>58,728</u>	<u>58,780</u>
Between one and two years	59,437	59,353
Between two and five years	182,648	181,551
In five years or more	<u>629,505</u>	<u>684,343</u>
	<u>871,590</u>	<u>925,247</u>

In 2018 the liability for 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 in that year have been discounted at a rate of 1.51%.

The above creditors are due as follows:

	2019	2018
	£	£
Due within one year	<u>-</u>	<u>441,495</u>
Between one and two years	-	48,000
Between two and five years	-	91,505
	<u>-</u>	<u>139,505</u>

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

16. Deferred income

	2019	2018
	£	£
At 1 st April 2018	95,601	74,389
Additions in year	40,108	21,963
Amortisation in year	(751)	(751)
At 31 st March 2019	<u>134,958</u>	<u>95,601</u>

This is expected to be released to the Statement of Comprehensive Income in the following year as follows:-

Amounts due within one year	751	751
Amounts due in one year or more	134,207	94,850
	<u>134,958</u>	<u>95,601</u>

17. Restricted grant

	2019	2018
	£	£
At 1 st April 2018	400,000	-
Received in year	-	400,000
At 31 st March 2019	<u>400,000</u>	<u>400,000</u>

The grant is restricted to the specific purpose of land acquisition.

18. Share capital

Ordinary Shares of £1 each	2019	2018
Allotted, issued and fully paid		
As at 01.04.18	131	195
Shares issued at par during year	<u>10</u>	<u>17</u>
	141	212
Shares forfeited	(22)	(81)
As at 31.03.19	<u>119</u>	<u>131</u>

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

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

19. Pensions

Scottish Housing Associations' Pension Scheme

Copperworks Housing Association Limited previously participated in the Scottish Housing Associations' Pension Scheme which is a statutory multi-employer defined benefit scheme providing benefits to over 150 non-associated employers. At 31st March 2019 there were no active members of the scheme employed by the Association (2018 - nil).

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2019	2018
	(£000s)	(£000)
Fair value of plan assets	1,525	1,466
Present value of defined benefit obligation	1,760	1,634
Surplus (deficit) in plan	(235)	(168)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(235)	(168)

Reconciliation of the impact of the asset ceiling

	2019
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

Reconciliation of opening and closing balances of the defined benefit obligation

	2019
	(£000s)
Defined benefit obligation at start of period	1,634
Current service cost	-
Expenses	1
Interest expense	41
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	29
Actuarial losses (gains) due to changes in demographic assumptions	4
Actuarial losses (gains) due to changes in financial assumptions	107
Benefits paid and expenses	(56)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,760

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

19. Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2019
	(£000s)
Fair value of plan assets at start of period	1,466
Interest income	37
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	30
Contributions by the employer	48
Contributions by plan participants	-
Benefits paid and expenses	(56)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,525

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £67,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)

	2019
	(£000s)
Current service cost	-
Expenses	1
Net interest expense	4
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit charges	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	5

Defined benefit costs recognised in Other Comprehensive Income

	2019
	(£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	30
Experience gains and losses arising on the plan liabilities - gain (loss)	(29)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(4)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(107)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(110)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(110)

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

19. Pensions (continued)

Assets

	2019	2018
	(£000s)	(£000s)
Absolute Return	129	174
Alternative Risk Premia	85	55
Corporate Bond Fund	107	102
Credit Relative Value	26	-
Distressed Opportunities	26	7
Emerging Markets Debt	49	50
Fund of Hedge Funds	4	42
Global Equity	245	264
Index Linked All Stock Gilts	-	-
Infrastructure	64	27
Insurance-Linked Securities	40	40
Liability Driven Investment	543	516
Long Lease Property	19	-
Net Current Assets	2	3
Over 15 Year Gilts	39	47
Private Debt	20	14
Property	30	58
Risk Sharing	44	13
Secured Income	53	54
Total assets	<u>1,525</u>	<u>1,466</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions

	2019	2018
	% per annum	% per annum
Discount Rate	2.30	2.56
Inflation (RPI)	3.30	3.19
Inflation (CPI)	2.30	2.19
Salary Growth	3.30	3.19
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

In previous years the scheme was accounted for on a defined contribution basis. The liability included at 1st April 2018 has decreased from £184,000 to £168,000.

The employees now participate in a defined contribution scheme within the Scottish Housing Associations' Pension Scheme and the costs to the Association are charged to the Statement of Comprehensive Income in the year in which they are incurred. The costs to the Association were £14,134 (2018: £14,148).

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

20. Legislative provisions

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

21. Housing stock

	2019	2018
The number of units of accommodation in management at the year end was:-		
General needs - rehabilitation	<u>270</u>	<u>270</u>

22. Related party transactions

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

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

- 5 members are tenants of the Association
- 3 members are factored owners

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

Transactions with Governing Body Members were as follows:-

Rents received from tenants on the Committee were £18,228.

Factoring charges received from owners on the Committee were £424.

At the year end, total rent arrears owed by tenant members of the Committee were £85.

There are members of the Management Committee who are tenants of the Association. Their tenancies are held on the normal tenancy terms and they cannot use their positions to their advantage.

F Murphy is the executive officer of Spire View Housing Association Limited. During the year Spire View Housing Association Limited provided management and other services at a cost of £93,014 (2018 - £48,898) and received rent of £12,000 (2018 - £12,000). At the year end £31,534 (2018 - £49,780) was outstanding and is included in creditors due within one year.

Copperworks Housing Association Limited provided services to Spire View Housing Association Limited at a value of £67,168 (2018 - £48,898). At the year end £20,422 (2018 - £25,102) was outstanding and is included in debtors.

23. Capital commitments

	2019	2018
	£	£
Expenditure authorised and contracted less certified	<u>449,000</u>	<u>-</u>

The Committee expect that expenditure authorised and contracted will be fully funded from Grants, Banks and Building Societies or from own resources.

COPPERWORKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

24. Finance leases

Obligations under hire purchase contracts and finance leases:-	2019 £	2018 £
Finance lease due within one year	1,127	1,127
Finance leases due between one and five years	<u>1,127</u>	<u>2,254</u>
	<u>2,254</u>	<u>3,381</u>