

# Faifley Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

Registered Housing Association No.HCB237

FCA Reference No. 2384R (S)

Scottish Charity No. SC037273

# FAIFLEY HOUSING ASSOCIATION LIMITED

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# FAIFLEY HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2016

### MANAGEMENT COMMITTEE

Megan Harrison  
Jacqueline Lorimer  
Paula Cardno  
Robert King  
Dorothy Drennan  
Jim Finn  
Marion Benson  
Elaine McCabe  
Rose McGachy  
Rose Ferguson  
Isobel McAuley

Chairperson  
Vice-Chairperson  
Secretary  
Treasurer

### EXECUTIVE OFFICERS

Philip Burbidge

Director

### REGISTERED OFFICE

Skypoint  
Lennox Drive  
Faifley  
Clydebank  
G81 5JY

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

Quinn Internal Audit  
120 Kingsnowe Road North  
Edinburgh  
EH14 2DG

### BANKERS

Royal Bank of Scotland  
13 Rockbank Place  
Hardgate  
Clydebank

### SOLICITORS

TC Young  
7 West George Street  
Glasgow  
G2 1BA

### FINANCE AGENTS

FMD Financial Services  
Ladyloan Place  
Glasgow  
G15 8LB

# FAIFLEY HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2016

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2016.

### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2384R (S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC037273.

### Principal Activities

The principal activities of the Association are the provision and management of good quality affordable rented accommodation in Faifley.

### Review of Business and Future Developments

The Association made a surplus of £276,332 during the year, compared to a surplus of £340,237 in the year to 31 March 2015 and had capital and reserves of £3,680,601 at the 31 March 2016 (2015: £3,404,274). The total expenditure on cyclical and major repairs work amounted to £169,263, this included the replacement of door entry systems, smoke alarms and carbon monoxide detectors.

The Association carried out external wall insulation works, replacement of gutters and downpipes and replacement of fascias and soffits to 114 properties. We also fitted new energy efficient boilers in 66 properties

We have also spent £134,640 on reactive and void repairs throughout the year.

The Association are in a healthy position with just over £1.475 million cash in the bank and on deposit, which will enable the Association to fulfil our major repairs and cyclical programme for the foreseeable future.

The Association sold 3 properties during the year and we now own and manage 334 rented units and provide factoring services to a further 21 owners.

During the year the Association's Management Committee comprised of 11 members.

We continue to provide Maintenance Officer services to Kinsridge Cleddans Housing Association.

The Association, in partnership with other local Housing Associations continue to provide a welfare rights service to our residents through our partnership with the Clydebank Information and Resource Centre,

# FAIFLEY HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2016

### 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 require 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 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.

# FAIFLEY HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2016

### 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 2016. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

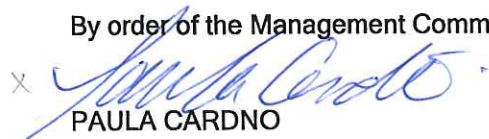
### Donations

During the year the Association made charitable donations amounting to £235 (2015 - £510).

### 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

x   
PAULA CARDNO  
Secretary  
23 August 2016

# FAIFLEY HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF FAIFLEY 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 5 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.

A handwritten signature in black ink that reads 'Alexander Sloan'.

ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
23 August 2016

We have audited the financial statements of Faifley Housing Association Limited for the year ended 31st March 2016 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 the applicable law and accounting standards 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 Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. 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 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

#### **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  
FAIFLEY 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  
23 August 2016

# FAIFLEY HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016 £	2015 £
REVENUE	2.	1,981,870	1,964,178
Operating Costs	2.	(1,428,338)	(1,369,651)
OPERATING SURPLUS	9.	553,532	594,527
Loss On Sale Of Housing Stock	7.	(120,261)	(102,075)
Interest Receivable and Other Income		5,508	8,705
Interest Payable and Similar Charges	8.	(138,152)	(142,030)
Other Finance Charges	11.	(24,295)	(18,890)
		(277,200)	(254,290)
SURPLUS FOR YEAR		<u>276,332</u>	<u>340,237</u>
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>276,332</u>	<u>340,237</u>
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>276,332</u>	<u>340,237</u>

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

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

# FAIFLEY HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	2016	2015
<b>NON-CURRENT ASSETS</b>		
Housing Properties - Depreciated Cost	12.(a) 19,845,716	20,097,141
Other Non Current Assets	12.(b) 13,359	21,285
	<u>19,859,075</u>	<u>20,118,426</u>
<b>CURRENT ASSETS</b>		
Receivables	14. 72,351	72,057
Investments	21. 685,146	932,063
Cash at bank and in hand	790,736	811,295
	<u>1,548,233</u>	<u>1,815,415</u>
<b>CREDITORS: Amounts falling due within one year</b>	15. (448,496)	(410,841)
<b>NET CURRENT ASSETS</b>	<u>1,099,737</u>	<u>1,404,574</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>20,958,812</u>	<u>21,523,000</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16. (2,961,439)	(3,163,313)
<b>DEFERRED INCOME</b>		
Social Housing Grants	18. (14,253,957)	(14,890,125)
Other Grants	18. (62,815)	(65,288)
	<u>(14,316,772)</u>	<u>(14,955,413)</u>
<b>NET ASSETS</b>	<u>3,680,601</u>	<u>3,404,274</u>
<b>EQUITY</b>		
Share Capital	19. 57	62
Revenue Reserves	3,680,544	3,404,212
	<u>3,680,601</u>	<u>3,404,274</u>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 23 August 2016.

Chairperson

M. Harrison

Vice-Chairperson

J. Kanner

Secretary



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

# FAIFLEY HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2015/16	2014/15
	B	£	£
<b>Net Cash Inflow from Operating Activities</b>	17.	528,078	621,424
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(526,259)	(233,295)	
Purchase of Other Fixed Assets	(5,264)	(12,257)	
Changes on short term deposits with banks	246,917	(6,254)	
Proceeds on Disposal of Properties	101,752	37,708	
<b>Net Cash Outflow from Investing Activities</b>		(182,854)	(214,098)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	5,508	8,705	
Interest Paid on Loans	(138,152)	(142,030)	
Loan Principal Repayments	(157,827)	(153,112)	
Repayment of HAG	(75,312)	-	
Share Capital Issued	-	2	
<b>Net Cash Outflow from Financing</b>		(365,783)	(286,435)
<b>(Decrease) / Increase in Cash</b>		(20,559)	120,891
<b>Opening Cash &amp; Cash Equivalents</b>		811,295	690,404
<b>Closing Cash &amp; Cash Equivalents</b>		790,736	811,295
<b>Cash and Cash equivalents as at 31 March 2016.</b>			
Cash		790,736	811,295
Bank overdraft		-	-
		790,736	811,295

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

# FAIFLEY HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	64	3,063,975	3,064,039
Issue of Shares	2		2
Cancellation of Shares	(4)		(4)
Surplus for Year		340,237	340,237
Balance as at 31st March 2015	<u>62</u>	<u>3,404,212</u>	<u>3,404,274</u>
Balance as at 1st April 2015	62	3,404,212	3,404,274
Cancellation of Shares	(5)		(5)
Surplus for Year		276,332	276,332
Balance as at 31st March 2016	<u>57</u>	<u>3,680,544</u>	<u>3,680,601</u>

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

# FAIFLEY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### 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.

##### Revenue

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

Government Grants are released to income over the expected useful life of the asset to which it relates.

##### Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts 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 the 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 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Kitchen Units	15 years
Central Heating Boilers	15 years
Door Entry Systems	20 years
Floor Coverings	20 years
Timber Crib Walls	20 years
Gutters and Downpipes	30/40 years
External Lovres	25 years
Timber Fencing	25/30 years
Central Heating Radiators	30 years
Deck Access Coverings	30 years
Rewiring	30 years
Bathroom Fittings	30 years
Shelving Ducts and Panels	30 years
Tiling	40 years
Window Replacement	40 years
Handrails	40 years
Roughcast and Render	40 years
Roof Coverings	40 years
Structure	50 years

# FAIFLEY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 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	25%
Furniture and Fittings	25%
Computer Equipment	25%
Office Equipment	25%

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 Faifley Housing Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, 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.

#### *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.

#### *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.

#### *Pension Liability*

In March 2016 the Association received details from the Pension Trust of the provisional 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.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 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.

#### **Capitalisation Of Development Overheads**

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

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

##### *a) Exemptions taken in the transition to FRS 102*

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

i) The Association has not revisited the accounting of previous business combinations

##### *b) 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.

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

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

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

The Association categorises all its loans as basic financial instruments. It does not view any break clauses as changing the categorisation of the financial instrument. The Association's fixed rate loan agreement contained the option that it could be based on a variable or fixed rate. The Association chose the fixed rate option. As this is not a separate financial instrument capable of being separately traded by the Association then the Association does not view this as falling within the definition of a complex financial instrument. 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.



# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2016			2015		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	1,976,051	1,420,519	555,532	1,955,792	1,358,350	597,442
Other Activities	4.	5,819	7,819	(2,000)	8,386	11,301	(2,915)
<b>Total</b>		<b>1,981,870</b>	<b>1,428,338</b>	<b>553,532</b>	<b>1,964,178</b>	<b>1,369,651</b>	<b>594,527</b>

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

	General Needs Housing £	Supported Housing £	Shared ownership £	2016 Total £	Restated 2015 Total £
<b>Revenue from Lettings</b>					
Rent Receivable Net of Service Charges	1,281,553	46,565	-	1,328,118	1,307,395
<b>Gross income from rent and service charges</b>	<b>1,281,553</b>	<b>46,565</b>	<b>-</b>	<b>1,328,118</b>	<b>1,307,395</b>
Less: Rent losses from voids	4,451	-	-	4,451	5,207
<b>Net Rents Receivable</b>	<b>1,277,102</b>	<b>46,565</b>	<b>-</b>	<b>1,323,667</b>	<b>1,302,188</b>
Grants released from deferred income	615,756	22,885	-	638,641	631,740
Revenue grants from Scottish Ministers	13,743	-	-	13,743	14,316
Other revenue grants	-	-	-	-	7,548
<b>Total turnover from affordable letting activities</b>	<b>1,906,601</b>	<b>69,450</b>	<b>-</b>	<b>1,976,051</b>	<b>1,955,792</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	463,806	16,852	-	480,658	457,772
Planned and cyclical maintenance, including major repairs	169,263	-	-	169,263	153,524
Reactive maintenance costs	125,606	9,034	-	134,640	119,230
Bad Debts - rents and service charges	4,977	-	-	4,977	3,361
Depreciation of affordable let properties	604,307	26,674	-	630,981	624,463
Impairment of affordable letting activities	-	-	-	-	-
<b>Operating costs of affordable letting activities</b>	<b>1,367,959</b>	<b>52,560</b>	<b>-</b>	<b>1,420,519</b>	<b>1,358,350</b>
<b>Operating surplus on affordable letting activities</b>	<b>538,642</b>	<b>16,890</b>	<b>-</b>	<b>555,532</b>	<b>597,442</b>
<b>2015</b>	<b>576,604</b>	<b>20,838</b>	<b>-</b>		

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	2,000	(2,000)	(2,915)	
Factoring	-	-	-	1,874	1,874	1,874	-	-	
Agency/ Management Services for other RSLs	-	-	-	3,945	3,945	3,945	-	-	
Total From Other Activities	-	-	-	5,819	5,819	7,819	(2,000)	(2,915)	
2015	-	-	-	8,386	8,386	11,301	(2,915)		

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

# FAIFLEY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

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

2016	2015
£	£

No Officer of the Association received emoluments greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)	54,006	53,139
Total emoluments paid to key management personnel	60,603	59,638

#### 6. EMPLOYEE INFORMATION

	2016	2015
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	7	7
Staff Costs were:	£	£
Wages and Salaries	236,821	228,256
Social Security Costs	16,533	15,898
Other Pension Costs	28,401	27,832
Temporary, Agency and Seconded Staff	-	4,577
	281,755	276,563

# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. LOSS ON SALE OF HOUSING STOCK

	2016	2015
	£	£
Sales Proceeds	26,440	37,708
Cost of Sales	<u>146,701</u>	<u>139,783</u>
Loss On Sale Of Housing Stock	<u>(120,261)</u>	<u>(102,075)</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	<u>138,152</u>	<u>142,030</u>
	<u>138,152</u>	<u>142,030</u>

## 9. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	644,171	637,789
Auditors' Remuneration - Audit Services	8,436	7,680
Operating Lease Rentals - Land & Buildings	9,500	9,500
Operating Lease Rentals - Other	7,142	8,927
Gain on sale of fixed assets	<u>(120,261)</u>	<u>(102,075)</u>

## 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

## 11. OTHER FINANCE INCOME / CHARGES

	2016	2015
	£	£
Unwinding of Discounted Liabilities	<u>24,295</u>	<u>18,890</u>

# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
<b>COST</b>					
As at 1st April 2015	28,409,426	-	-	-	28,409,426
Additions	526,259	-	-	-	526,259
Disposals	(267,224)	-	-	-	(267,224)
Schemes Completed	-	-	-	-	-
As at 31st March 2016	28,668,461	-	-	-	28,668,461
<b>DEPRECIATION</b>					
As at 1st April 2015	8,312,285	-	-	-	8,312,285
Charge for Year	630,981	-	-	-	630,981
Disposals	(120,521)	-	-	-	(120,521)
As at 31st March 2016	8,822,745	-	-	-	8,822,745
<b>NET BOOK VALUE</b>					
As at 31st March 2016	19,845,716	-	-	-	19,845,716
As at 31st March 2015	20,097,141	-	-	-	20,097,141

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £526,259 (2015 £233,295)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £569,001. The amount capitalised is £526,259, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £526,529 and improvement of £nil.

# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)				
b) Other Tangible Assets	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2015	17,128	4,754	138,051	159,933
Additions	-	-	5,264	5,264
Eliminated on Disposals	-	-	-	-
As at 31st March 2016	17,128	4,754	143,315	165,197
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2015	12,846	4,754	121,048	138,648
Charge for year	4,282	-	8,908	13,190
Eliminated on disposal	-	-	-	-
As at 31st March 2016	17,128	4,754	129,956	151,838
<b>NET BOOK VALUE</b>				
As at 31st March 2016	-	-	13,359	13,359
As at 31st March 2015	4,282	-	17,003	21,285

12. CAPITAL COMMITMENTS		
	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	274,159	-

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		
	2016 £	2015 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	9,500	9,500
Later than one year and not later than five years	7,142	8,927
Later than five years	-	-

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

# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Arrears of Rent & Service Charges	55,643	71,271
Less: Provision for Doubtful Debts	(19,947)	(28,125)
	35,696	43,146
Other Receivables	36,655	28,911
	<u>72,351</u>	<u>72,057</u>

## 15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Housing Loans	164,171	158,429
Trade Payables	66,714	42,192
Rent in Advance	43,282	44,270
Other Taxation and Social Security	5,270	5,144
Other Payables	100,842	71,931
Liability for Past Service Contributions	61,632	59,587
Accruals and Deferred Income	6,585	29,288
	<u>448,496</u>	<u>410,841</u>

At the balance sheet date there were pension contributions outstanding of £9,616 (2015 £9,364)

## 16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Liability for Past Service Contributions	325,410	363,715
Housing Loans	<u>2,636,029</u>	<u>2,799,598</u>
	<u>2,961,439</u>	<u>3,163,313</u>
<i>Housing Loans</i>		
Amounts due within one year	164,171	158,429
Amounts due in one year or more but less than two years	170,199	164,171
Amounts due in two years or more but less than five years	385,334	438,964
Amounts due in more than five years	<u>2,080,496</u>	<u>2,196,463</u>
	2,800,200	2,958,027
Less: Amount shown in Current Liabilities	<u>164,171</u>	<u>158,429</u>
	<u>2,636,029</u>	<u>2,799,598</u>
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	61,632	59,587
Amounts due in one year or more but less than two years	65,711	59,252
Amounts due in two years or more but less than five years	198,537	186,734
Amounts due in more than five years	<u>61,162</u>	<u>117,729</u>
	<u>387,042</u>	<u>423,302</u>

The Association has three long-term housing loans, the terms and conditions of which fall into the following ranges:

Two of the loans have an interest rates of LIBOR plus 0.241% and one loan is at a fixed rate loan of 5.76%. Loans are due to expire in 2029, 2032 and 2040.

A total of 173 housing properties are secured to lenders in respect of these loan facilities, with the loans valued at £2,800,200 in these financial statements.

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 2.64% (2015 - 3.58%)

# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31st march 2016</i>	2016 £	2015 £
Operating Surplus	553,532	594,527
Depreciation	644,171	637,789
Amortisation of Capital Grants	(638,641)	(631,740)
Change in debtors	(294)	8,610
Change in creditors	(6,392)	67,392
Unwinding of Discount on Pension Liability	(24,293)	(55,150)
Share Capital Written Off	(5)	(4)
Balance as at 31st March 2016	<u>528,078</u>	<u>621,424</u>

## 18. DEFERRED INCOME

	2016 £	2015 £
<i>Social Housing Grants</i>		
Balance as at 1st April 2015	14,890,125	15,519,153
Additions in year	-	-
Released / Repaid as the result of property disposal	(117,501)	(105,486)
Amortisation in Year	(518,667)	(523,542)
Balance as at 31st March 2016	<u>14,253,957</u>	<u>14,890,125</u>
<i>Other Grants</i>		
Balance as at 1st April 2015	65,288	68,000
Additions in year	-	-
Released / Repaid as the result of property disposal	(607)	(828)
Amortisation in Year	(1,866)	(1,884)
Balance as at 31st March 2016	<u>62,815</u>	<u>65,288</u>
Total	<u>14,316,772</u>	<u>14,955,413</u>

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

	2016 £	2015 £
Amounts due within one year	520,533	525,426
Amounts due in one year or more	13,796,239	14,429,987
	<u>14,316,772</u>	<u>14,955,413</u>



# FAIFLEY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	62
Issued in year	-
Cancelled in year	(5)
At 31st March 2016	<u>57</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:-	2016 No.	2015 No.
General Needs - New Build	219	221
General Needs - Rehabilitation	104	105
Supported Housing	11	11
	<u>334</u>	<u>337</u>

## 21. INVESTMENTS

	2016 £	2015 £
Short Term Deposits	<u>685,146</u>	<u>932,063</u>

# FAIFLEY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RELATED PARTY TRANSACTIONS

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

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

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

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

	£
Rent Received from Tenants on the Committee (and their close family members)	28,330
Factoring Charges received from owners on the Committee	1,723

At the year end total rent arrears owed by the tenant members of the Committee (and their close family members) were £612

At the year end total factoring arrears owed by the factored owners of the Committee were £861

#### 23. DETAILS OF ASSOCIATION

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

The Association's principle place of business is Skypoint, Lennox Drive, Faifley.

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

#### 24. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £nil in the year by way of reimbursement of expenses.(2015 - £nil). No remuneration is paid to Board members in respect of their duties in the Association.

# FAIFLEY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

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

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.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £68,249 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employer's 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 balance sheet date the present value of this obligation was £387,042 (2015 - £423,302). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.64%.

The Association made payments totalling £60,553 (2015: £58,789) to the pension scheme during the year.

# FAIFLEY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves							
At 31 March 2015				At 31 March 2014			
Note	As previously Stated £	Effect of Transition £	As Restated £	As previously Stated £	Effect of Transition £	As Restated £	
Non Current Assets (i)	4,246,592	15,871,834	20,118,426	4,207,261	16,443,358	20,650,619	
Current Assets	1,815,415	-	1,815,415	1,696,880	-	1,696,880	
Current Liabilities (ii)	(351,254)	(59,587)	(410,841)	(276,147)	(58,789)	(334,936)	
Non Current Liabilities (ii)	(2,799,598)	(363,715)	(3,163,313)	(2,956,786)	(404,583)	(3,361,369)	
Deferred Income (i)	-	(14,955,413)	(14,955,413)	-	(15,587,155)	(15,587,155)	
	2,911,155	493,119	3,404,274	2,671,208	392,831	3,064,039	
Capital & Reserves	(2,911,155)	(493,119)	(3,404,274)	(2,671,208)	(392,831)	(3,064,039)	

Reconciliation of Retained Surpluses for the Year			
Year Ended 31 March 2015			
Note	As previously Stated £	Effect of Transition £	As Restated £
Revenue (i)	1,332,438	631,740	1,964,178
Operating Costs (i) & (ii)	(968,795)	(400,856)	(1,369,651)
Other Income	9,631	(111,706)	(102,075)
Interest Receivable	8,705	-	8,705
Interest Payable	(142,030)	-	(142,030)
Other Finance Income / Costs	-	(18,890)	(18,890)
	239,949	100,288	340,237
Surplus	239,949	100,288	340,237

#### Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A