



**Alexander Sloan**  
Accountants and Business Advisers

# **Faifley Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2019**

**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 31 MARCH 2019

### MANAGEMENT COMMITTEE

Jacqueline Lorimer	Chairperson
Robert King	Vice Chairperson
Megan Harrison	Treasurer
Brenda Cameron	Secretary
Dorothy Drennan	
Jim Finn	Resigned 27 February 2019
Elaine McCabe	Resigned 27 August 2018
Marion Benson	
Rose McGachy	
Isobel McAuley	
Rose Ferguson	
Paula Cardno	Resigned 27 August 2018

### EXECUTIVE OFFICERS

Philip Burbridge	Director
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### REGISTERED OFFICE

Skypoint  
Lennox Drive  
Faifley  
Clydebank

### EXTERNAL AUDITORS

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

### INTERNAL AUDITORS

Quinn Internal Audit  
120 Kingsnowe Road North  
Edinburgh  
EH14 2DG

### FINANCE AGENTS

FMD Financial Services  
Ladyloan Place  
Glasgow  
G15 8LB

### BANKERS

Royal Bank of Scotland  
13 Rockbank Place  
Hardgate  
Clydebank

### SOLICITORS

TC Young  
7 West George Street  
Glasgow  
G2 1BA

# **FAIFLEY HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019**

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

### **Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.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 is the Provision and Management of good quality affordable rented accommodation in Faifley.

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

During the year to the 31<sup>st</sup> March 2019 the Association made a surplus of £317,000 during the year compared to a surplus/deficit of £412,368 in the year to the 31 March 2018. The Association understands the importance of maintaining our stock not just in the short term but over the life of the buildings and during the year carried out cyclical and major repairs work in accordance with our business plan and life cycle maintenance programme, this included new kitchens, new energy efficient boilers, new extractor fans and new smoke alarms at a cost of £212,890. We also spent £130,246 on reactive and void repairs in the year

The Association is in a healthy financial position with just over £1.61m cash in the bank which will enable the Association to fulfil our major repairs and cyclical programme for the foreseeable future.

The Association's latest Tenant Satisfaction Survey carried out this year indicates that 96% of our tenants are satisfied with the overall service provided by the Association.

The Association owns and manages 332 rented units and provides factoring service to a further 23 owners.

The Associations Management Committee comprised of 9 members at 31 March 2019.

We continue to provide Maintenance services to Knowes 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 31 MARCH 2019

### Management Committee and Executive Officers

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

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

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

### Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The 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**

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## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019**

### **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 2019. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

### **Donations**

During the year the Association made charitable donations amounting to £0 (2018 - £400).

### **Auditors**

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

**By order of the Management Committee**

**BRENDA CAMERON**

Secretary

20 August 2019

# FAIFLEY HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS 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 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### Basis of Opinion

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

### Opinion

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

Through enquiry of certain members of the 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 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
20 August 2019



**Alexander Sloan**  
Accountants and Business Advisers

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

### Opinion

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

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

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.



# FAIFLEY HOUSING ASSOCIATION LIMITED

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

### Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 3, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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


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

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

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

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

**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
20 August 2019



**Alexander Sloan**  
Accountants and Business Advisers

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

	Notes	£	2019 £	£	2018 £
<b>REVENUE</b>	2		1,906,098		1,863,870
Operating Costs	2		(1,551,322)		(1,380,737)
<b>OPERATING SURPLUS</b>			354,776		483,133
Interest Receivable and Other Income		4,170		2,901	
Interest Payable and Similar Charges	7	(31,946)		(73,418)	
Other Finance Income / (Charges)	10	(10,000)		(248)	
			(37,776)		(70,765)
Surplus on ordinary activities before taxation			317,000		412,368
<b>SURPLUS FOR THE YEAR</b>	8		317,000		412,368
<b>Other comprehensive income</b>					
Adjustment relating to Opening Pension Liability			(149,000)		
Actuarial Gains/ (Losses) on defined benefit Pension Plan			(16,000)		-
<b>TOTAL COMPREHENSIVE INCOME</b>			152,000		412,368

The notes on pages 12 to 31 form part of these financial statements.

# FAIFLEY HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019	2018
		£	£
<b>NON-CURRENT ASSETS</b>			
Housing Properties - Depreciated Cost	11 (a)	18,649,775	18,828,482
Other Non-current Assets	11 (c)	14,332	12,391
		<u>18,664,107</u>	<u>18,840,873</u>
<b>CURRENT ASSETS</b>			
Receivables	14	58,184	63,756
Investments	25	1,152,324	690,418
Cash at bank and in hand		1,220,508	725,488
		<u>1,479,662</u>	<u>1,479,662</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	(326,761)	(460,013)
<b>NET CURRENT ASSETS</b>		<u>893,747</u>	<u>1,019,649</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>19,557,854</u>	<u>19,860,522</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	(2,122,427)	(2,497,713)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Scottish Housing Association Pension Scheme	30	(407,000)	-
		<u>(407,000)</u>	<u>-</u>
<b>DEFERRED INCOME</b>			
Social Housing Grants	18	(12,514,537)	(12,999,095)
Other Grants	18	(55,969)	(57,794)
		<u>(12,570,506)</u>	<u>(13,056,889)</u>
<b>NET ASSETS</b>		<u>4,457,921</u>	<u>4,305,920</u>
<b>EQUITY</b>			
Share Capital	19	57	56
Revenue Reserves		4,664,864	4,305,864
Pension Reserves		(407,000)	-
		<u>4,457,921</u>	<u>4,305,920</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 20 August 2019.

Chairperson

Vice Chairperson

Secretary

The notes on pages 12 to 31 form part of these financial statements.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

	Notes	2019	2018
		£	£
<b>Net cash Inflow from operating activities</b>	17	494,774	590,444
<b>Investing Activities</b>			
Acquisition and Construction of Properties		(496,544)	(122,728)
Purchase of Other Fixed Assets		(10,510)	(7,492)
Changes on short term deposits with banks		690,418	(2,074)
<b>Net cash inflow / (outflow) from investing activities</b>		183,364	(132,294)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents		4,170	2,901
Interest Paid on Loans		(31,946)	(73,418)
Loan Principal Repayments		(213,527)	(137,539)
Share Capital Issued		1	2
<b>Net cash outflow from financing activities</b>		(241,302)	(208,054)
<b>Increase in cash</b>		436,836	250,096
<b>Opening Cash &amp; Cash Equivalents</b>		725,488	475,392
<b>Closing Cash &amp; Cash Equivalents</b>		1,162,324	725,488
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		1,162,324	725,488
		1,162,324	725,488

The notes on pages 12 to 31 form part of these financial statements.



# FAIFLEY HOUSING ASSOCIATION LIMITED

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

	Share Association Capital Pension reserve	Scottish Housing Revenue Reserve	Total
	£	£	£
<b>Balance as at 31 March 2017</b>			
Issue of Shares	54	3,893,496	3,893,550
Surplus for the year	2	-	2
<b>Balance as at 31 March 2018</b>			
	-	412,368	412,368
	<b>56</b>	<b>4,305,864</b>	<b>4,305,920</b>
<b>Balance as at 1 April 2018</b>			
Issue of Shares	56	4,305,864	4,305,920
Other comprehensive income	1	-	1
Surplus for the year	-	242,000	(165,000)
	-	317,000	317,000
<b>Balance as at 31 March 2019</b>	<b>57</b>	<b>4,864,864</b>	<b>4,457,921</b>

The notes on pages 12 to 31 form part of these financial statements.

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

1. PRINCIPAL ACCOUNTING POLICIES

**Statement of Compliance**

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

**Basis of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

**Revenue**

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

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

**Retirement Benefits**

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

**Valuation Of Housing Properties**

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
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 Louvers	25 Years
Timber Fencing	25/30 Years
Central Heating Radiators	30 Years

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

### 1. PRINCIPAL ACCOUNTING POLICIES

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

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

Asset Category	Depreciation Rate
Office Premises	25%
Furniture and Fittings	25%
Computer & Office Equipment	25%
Van	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

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

#### Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 1. PRINCIPAL ACCOUNTING POLICIES

### **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.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

### 1. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

##### *d) Pension Liability*

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

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

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

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

#### **Estimation Uncertainty**

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

##### *a) Rent Arrears - Bad Debt Provision*

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

##### *b) Life Cycle of Components*

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

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

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

##### *d) Defined pension liability*

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

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

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

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

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

	Notes	2019			2018		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	1,900,287	1,541,273	359,014	1,859,179	1,372,046	487,133
Other Activities	4	5,811	10,049	(4,238)	4,691	8,691	(4,000)
<b>Total</b>		<b>1,906,098</b>	<b>1,551,322</b>	<b>354,776</b>	<b>1,863,870</b>	<b>1,380,737</b>	<b>483,133</b>

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

	General Needs Housing £	Supported Housing £	2019 Total £	2018 Total £
<b>Revenue from Lettings</b>				
Rent receivable net of service charges	1,354,756	49,599	1,404,355	1,363,635
<b>Gross income from rent and service charges</b>	<b>1,354,756</b>	<b>49,599</b>	<b>1,404,355</b>	<b>1,363,635</b>
Less: Rent losses from voids	4,844	-	4,844	4,746
<b>Net Rents Receivable</b>	<b>1,349,912</b>	<b>49,599</b>	<b>1,399,511</b>	<b>1,358,889</b>
Grants released from deferred income	465,511	20,872	486,383	489,808
Revenue grants from Scottish Ministers	14,393	-	14,393	10,482
<b>Total turnover from affordable letting activities</b>	<b>1,829,816</b>	<b>70,471</b>	<b>1,900,287</b>	<b>1,859,179</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	493,512	18,068	511,580	499,555
Planned and cyclical maintenance, including major repairs	212,890	-	212,890	152,359
Reactive maintenance costs	120,281	9,965	130,246	129,892
Bad Debts - rents and service charges	11,306	-	11,306	4,660
Depreciation of affordable let properties	647,441	27,810	675,251	585,380
<b>Operating costs of affordable letting activities</b>	<b>1,485,430</b>	<b>55,843</b>	<b>1,541,273</b>	<b>1,372,046</b>
<b>Operating surplus on affordable letting activities</b>	<b>344,386</b>	<b>14,628</b>	<b>359,014</b>	<b>487,133</b>
<b>2018</b>	<b>466,760</b>	<b>20,373</b>		

Included in the figure for planned & cyclical maintenance is an amount for major repairs of £65,745 (2018: £27,719).

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

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

	Other Income	Total Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£
Wider role activities	-	-	4,238	(4,238)	(4,000)
Factoring	2,191	2,191	2,191	-	-
Other activities	3,620	3,620	3,620	-	-
<b>Total From Other Activities</b>	<b>5,811</b>	<b>5,811</b>	<b>10,049</b>	<b>(4,238)</b>	<b>(4,000)</b>
<b>2018</b>	<b>4,691</b>	<b>4,691</b>	<b>8,691</b>	<b>(4,000)</b>	



# FAIFLEY HOUSING ASSOCIATION LIMITED

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

### 5. OFFICERS' EMOLUMENTS

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

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

2019	2018
£	£
56,388	55,277
63,441	62,672

### 6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

Staff Costs were:

Wages and Salaries  
Social Security Costs  
Other Pension Costs

2019	2018
No.	No.
6	6
£	£
233,940	227,371
21,774	21,116
31,027	30,235
286,741	278,722



# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 7. INTEREST PAYABLE & SIMILAR CHARGES

	2019	2018
	£	£
On Bank Loans & Overdrafts	31,946	73,418

## 8. SURPLUS FOR THE YEAR

	2019	2018
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	683,820	594,361
Auditors' Remuneration - Audit Services	8,328	8,500
Operating Lease Rentals - Land & Buildings	9,500	9,500
Operating Lease Rentals - Other	1,785	1,785

## 9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

## 10. OTHER FINANCE INCOME / CHARGES

	2019	2018
	£	£
Net interest on defined benefit pension schemes	10,000	-
Unwinding of Discounted Pension Liabilities		248

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 11. NON-CURRENT ASSETS

(a) Housing Properties		
	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1 April 2018		
Additions	28,438,194	28,438,194
Disposals	496,544	496,544
Schemes Completed	(361,454)	(361,454)
	-	-
As at 31 March 2019	28,573,284	28,573,284
<b>DEPRECIATION</b>		
As at 1 April 2018		
Charge for Year	9,609,712	9,609,712
Transfers	675,251	675,251
Disposals	-	-
	(361,454)	(361,454)
As at 31 March 2019	9,923,509	9,923,509
<b>NET BOOK VALUE</b>		
As at 31 March 2019	18,649,775	18,649,775
As at 31 March 2018	18,828,482	18,828,482

Additions to housing properties include capitalised development administration costs of Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £496,544 (2018 - £122,728).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £839,680 (2018 - £404,979). The amount capitalised is £496,544 (2018 - £122,728) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £496,544 (2018 - £122,728) and improvement of Nil (2018 - £Nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £10,669,820 (2018 - £10,578,493).

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 11. NON CURRENT ASSETS (Continued)

(c) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Machinery & Equipment £	Total £
<b>COST</b>				
As at 1 April 2018				
Additions	4,754	161,717	17,128	183,599
Eliminated on Disposals	-	10,510	-	10,510
		-	-	-
As at 31 March 2019	4,754	172,227	17,128	194,109
<b>AGGREGATE DEPRECIATION</b>				
As at 1 April 2018				
Charge for year	4,754	149,326	17,128	171,208
Eliminated on Disposals	-	8,569	-	8,569
		-	-	-
As at 31 March 2019	4,754	157,895	17,128	179,777
<b>NET BOOK VALUE</b>				
As at 31 March 2019	-	14,332	-	14,332
		-	-	-
As at 31 March 2018	-	12,391	-	12,391

## 12. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements		87,680

## 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease	2019 £	2018 £
<b>Land and Buildings</b>		
Not later than one year	9,500	-
<b>Other</b>		
Not later than one year	1,339	1,785
Later than one year and not later than five years		1,339

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

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

	2019 £	2018 £
Arrears of Rent & Service Charges	66,050	70,633
Less: Provision for Doubtful Debts	(32,257)	(28,360)
Other Receivables	33,793	42,273
	24,391	21,483
	58,184	63,756

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

	2019 £	2018 £
Housing Loans	164,704	211,649
Trade Payables	71,639	90,462
Rent Received in Advance	43,258	43,166
Other Payables	14,775	32,405
Liability for Past Service Contributions		70,296
Accruals and Deferred Income	32,385	12,035
	326,761	460,013

At the balance sheet date there were pension contributions outstanding of £0 (2018 - £0).

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

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

	2019 £	2018 £
Liability for Past Service Contributions		
Housing Loans	2,122,427	208,704
	<u>2,122,427</u>	<u>2,289,009</u>
<b>Housing Loans</b>		
Amounts due within one year		
Amounts due in one year or more but less than two years	164,704	211,649
Amounts due in two years or more but less than five years	158,597	155,597
Amounts due in more than five years	441,017	472,791
	<u>1,522,813</u>	<u>1,660,621</u>
Less: Amount shown in Current Liabilities	2,287,131	2,500,658
	<u>164,704</u>	<u>211,649</u>
	<u>2,122,427</u>	<u>2,289,009</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year		
Amounts due in one year or more but less than two years		70,296
Amounts due in two years or more but less than five years		71,328
		<u>137,376</u>
Less: Amount shown in Current Liabilities		279,000
		<u>70,296</u>
		<u>208,704</u>

The Association has three long term loans, the terms and conditions of which fall into the following ranges: two of the loans have an interest rate of LIBOR plus a margin of 0.25%. A third loan is partly fixed at 1.639% and partly variable at LIBOR plus a margin of 0.275%. The loans are due to expire between 2029 and 2037. A total of 172 (2018 - 172) housing properties with a net book values of £10,669,820 (2018 - £10,578,493) are secured to lenders in respect of these loan facilities, with the loans valued at £2,287,131 (2018 - £2,500,658) in these financial statements.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 17. STATEMENT OF CASH FLOWS

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

	2019 £	2018 £
Surplus for the year		
Depreciation	317,000	412,368
Amortisation of Capital Grants	683,820	594,361
Change in debtors	(486,383)	(489,809)
Change in creditors	5,572	32,500
Unwinding of Discount on Pension Liability	(16,011)	(29,493)
Transfer of interest to financial activities	(37,000)	(248)
	<u>27,778</u>	<u>70,765</u>
Net cash inflow from operating activities	<u>494,774</u>	<u>590,444</u>

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

	2019 £	2018 £
Increase in cash		
Cashflow from change in net debt	436,836	250,096
Movement in net debt during the year	(268,187)	208,052
Net debt at 1st April 2018		
	168,649	458,148
Net debt at 31 March 2019	(1,293,456)	(1,751,604)
	<u>(1,124,807)</u>	<u>(1,293,456)</u>

### Analysis of changes in net debt

	At 01 April 2018	Cashflows	Other Changes	At 31 March 2019
Cash at bank and in hand	725,488	436,836		1,162,324
Bank overdrafts				
Liquid resources	725,488	436,836		1,162,324
Debt: Due within one year	690,418	(690,418)		
Due after more than one year	(211,649)	46,945		(164,704)
	<u>(2,497,713)</u>	<u>375,286</u>		<u>(2,122,427)</u>
Net Debt	<u>(1,293,456)</u>	<u>168,649</u>		<u>(1,124,807)</u>

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
As at 1 April 2018		
Eliminated on disposal of components and property	21,701,257	21,701,257
	(332,697)	(332,697)
As at 31 March 2019	21,368,560	21,368,560
<b>Amortisation</b>		
As at 1 April 2018		
Eliminated on disposal	8,702,162	8,702,162
Amortisation in year	(332,697)	(332,697)
	484,558	484,558
As at 31 March 2019	8,854,023	8,854,023
<b>Net book value</b>		
As at 31 March 2019	12,514,537	12,514,537
As at 31 March 2018	12,999,095	12,999,095
<b>Other Grants</b>		
As at 1 April 2018		
As at 31 March 2019	91,223	91,223
<b>Amortisation</b>		
As at 1 April 2018		
Amortisation in year	33,429	33,429
	1,825	1,825
As at 31 March 2019	35,254	35,254
<b>Net book value</b>		
As at 31 March 2019	55,969	55,969
As at 31 March 2018	57,794	57,794
<b>Total grants net book value as at 31 March 2019</b>	12,570,506	12,570,506
<b>Total grants net book value as at 31 March 2018</b>	13,056,889	13,056,889

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

	2019 £	2018 £
Amounts due within one year	486,383	489,809
Amounts due in one year or more	12,084,123	12,567,080
	12,570,506	13,056,889

## 19. SHARE CAPITAL

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

	2019 £	2018 £
As at 1 April 2018	56	54
Issued in year	1	2
As at 31 March 2019	57	56

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.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 20. HOUSING STOCK

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

General Needs - Built by Association  
General Needs - Purchased by Association  
Supported Housing

	2019 No.	2018 No.
	217	217
	104	104
	11	11
	<u>332</u>	<u>332</u>

## 21. RELATED PARTY TRANSACTIONS

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

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

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

Rent received from tenants on the Management Committee and their close family members

	2019 £	2018 £
	<u>34,183</u>	<u>38,352</u>

Factoring charges received from factored owners on the Management Committee and their close family members

	2019 £	2018 £
	<u>1,491</u>	<u>1,572</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £745 (2018 - £841).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £700 (2018 - £793).

Members of the Management Committee who are tenants

	2019 No.	2018 No.
	6	7

Members of the Management Committee who are owner occupiers

	2019 No.	2018 No.
	3	4

Members of the Management Committee who are local councillors

	2019 No.	2018 No.
	1	1



# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 23. DETAILS OF ASSOCIATION

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

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

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

## 24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £200 (2018 - £18) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Scottish Housing Association Pension Scheme

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

The last 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 £616m. 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.

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

### Change in Accounting Estimate

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

In January 2019, the FRS issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which

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

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

### 26. RETIREMENT BENEFIT OBLIGATIONS

Opening past service per actuarial	428,000
Opening past service deficit	279,000
Movement to other comprehensive income	149,000

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

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

#### Principal Actuarial Assumptions

Assumptions as at	2019	2018
	%p.a.	%p.a.
Salary increases	3.3%	3.2%
Pension increases	2.3%	2.2%
Discount rate	2.3%	2.6%

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

	2019
	£000
Employee members	6
Deferred pensioners	4
Pensioners	1
	11

#### Mortality Rates

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

	Males (Years)	Females (Years)
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Fair value of scheme assets by category

	2019	2018
	£000	£000
Equities	1,058	1,203
Bonds	248	252
Property	806	909
Cash	2	4
	<u>2,114</u>	<u>2,368</u>

### Net Pension Liability

	2019
	£000
Fair value of employer's assets	2,114
Present value of scheme liabilities	(2,521)
	<u>(407)</u>

### Reconciliation of fair value of employer assets

	2019
	£000
Opening fair value of employer assets	2,368
Expected Return on Assets	(371)
Contributions by Members	29
Contributions by the Employer	101
Actuarial Gains / (Losses)	-
Estimated Benefits Paid	(13)
<b>Closing fair value</b>	<u>2,114</u>

### Reconciliation of defined benefit obligations

	2019
	£000
Opening defined benefit obligation	2,796
Current Service Cost	54
Interest Cost	72
Contributions by members	29
Actuarial Gains	(417)
Estimated Benefits Paid	(13)
<b>Closing defined benefit obligation</b>	<u>2,521</u>

# FAIFLEY HOUSING ASSOCIATION LIMITED

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

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Analysis of amount charged to the Income and Expenditure Account

	2019 £000
Charged to operating costs:	
Service cost	23,298
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(62,000)
Interest on pension scheme liabilities	72,000
	10,000
	72,000
<b>Net Charge to the Income and Expenditure Account</b>	<b>33,298</b>

### Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	2019 £000
Actuarial gain/(loss) recognised in year	(16)
Cumulative actuarial gains	(16)

### Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2019

	£000
Projected current service cost	59
Interest on obligation	11
	70