

SPARE



Scott-Moncrieff
business advisers and accountants

PROVANHALL HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

Registered Housing Association No. HHC 242

Financial Conduct Authority No. 2401RS

Scottish Charity No SC03776

PROVANHALL HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND PROFESSIONAL ADVISORS

FOR THE YEAR ENDED 31 MARCH 2018

Management Committee

Liz McEwan (Chair)
Christine Morris (Secretary)
Cathie Reid
Barbara McCluskey
Rosemarie Docherty (on 6 months special leave from 29 May 2018)
Clarice Spaine
William Blunn
Tracy Coutts
Linda Cameron
Margaret Stewart
Rodger Harley

Executive Officers

Patricia Gallagher, Director
Jim Wylie, Technical Services Manager
Sean Douglas, Housing Services Manager

Registered Office

34 Conisborough Road
Easterhouse
Glasgow
G34 9QG

External Auditor

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

Kelly & Co
184 Abercromby Street
Glasgow
G40 2RZ

T C Young
7 West George Street
Glasgow
G2 1BA

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

Bankers

Bank of Scotland plc
Glasgow The Forge
PO Box 1000
BX2 1LB

Internal Auditor

Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

PROVANHALL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

CONTENTS

	Page
Report of the Management Committee (incorporating the Strategic Report)	1 - 6
Statement of the Management Committee's Responsibilities	7
Management Committee's Statement on Internal Financial Control	8
Report of the Auditor on Corporate Governance Matters	9
Report of the Auditor on the Financial Statements	10 - 12
Statement of Comprehensive Income	13
Statement of Changes in Capital and Reserves	14
Statement of Financial Position	15
Statement of Cash Flows	16
Notes to the Financial Statements	17 - 35

Registration particulars:

Financial Conduct Authority

Co-operative and Community Benefit Societies Act 2014
Registered Number: 2401RS

Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered Number: HHC 242

Scottish Charity

Scottish Charity Number SC 037762

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee present their report and audited financial statements for the year ended 31 March 2018.

Principal activity

The principal activity of Provanhall Housing Association Limited ("Provanhall") is the development, management and maintenance of housing for people in housing need.

Provanhall is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and with the Scottish Housing Regulator as a Registered Social Landlord.

Strategy and Objectives

The Association's Strategy is:

- Consolidating and improving our core business, through service improvement and investment;
- Managing our assets and resources well for the benefit of tenants and the Provanhall community;
- Working with the community and others to improve opportunities and the quality of life for local people; and
- Developing our role as a community anchor organisation for Provanhall.

To deliver the Strategy, the Management Committee has set five strategic objectives:

- Deliver high quality services that meet tenants' needs, maximise tenant satisfaction and demonstrate value for money;
- Provide affordable, high quality homes that meet local needs and help make Provanhall a thriving, sustainable community;
- Develop our role as community anchor in Provanhall, enabling services and activities that benefit individuals and the community as a whole;
- Mitigate the impact of welfare reform and other external factors on tenants and on the Association's business resilience; and
- Make sure that the Association is an efficient and effective organisation, with the organisational capacity to achieve our goals.

Business Review

2017/18

Performance remained high throughout the year as was reported in our Landlord Report from the Scottish Housing Regulator. We compared very favourably with both our peers and when measured against the national average.

Performance throughout the year remained strong. Total rent arrears increased from 3.1% at end March 2017 to 3.8% at year end March 2018, largely due to the consequences of welfare reform.

Reactive Maintenance expenditure, which included £52,574 void work expenditure increased to a total of £180,136 and averaged £368 per unit at the end of March 2018.

Throughout the year we have undertaken the following maintenance works:

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Business Review (cont'd)

2017/18 (cont'd)

Planned works

Kitchen replacements	102
Boiler Replacements	91
New Close Doors	13
Controlled Entry Replacements	78

Cyclical

Gutter Cleaning	All
Gas Servicing	484
Close Painting	6
External Painting	26

We had one staff resignation throughout the year when one of our Housing Services Officers left the Association. Their replacement was in post before the end of March 2018. The post was vacant from November 2017 until March 2018. The staff complement remains at 8, with services being provided for finance and welfare benefits.

The Internal Audit programme focussed on IT and Data Protection, the Governing Body and Succession and Quality of Housing. An action plan has been drafted with all of the identified required actions. The Internal Audit this year brought to an end the current three year programme. The Association will be going out to tender for a further three year programme in the summer of 2018.

Our Management Committee membership remains strong. At the end of the year we had 11 Management Committee members. Attendance was 75%. A new Chairperson was appointed at the AGM in September 2017. Management Committee succession planning is high on the agenda and this will continue in to the following financial year.

A decision was taken this year to update the rules to the 2015 Model Rules. Work is progressing on this and it is anticipated that an SGM will be held in September 2018 to have these approved.

We continue to support Connect Community Trust who manage our community facility and deliver wider role projects including: youth clubs, job clubs, elderly lunch clubs, I.T. classes and bingo. We meet regularly with the Trust and develop ideas with them re service provision.

We continue to do improvement works to the ex GHA stock and this year we will focus on environmental works.

We are progressing a new build development of 26 units in partnership with GHA. In March 2018, after consideration of its options, the Management Committee agreed that it will self-finance this development.

We continue to work with EHRA, the partnership of the 8 local Community Based Housing Associations and we undertake a lot of joint lobbying and joint training with them.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Members of Management Committee

Each member of the Management Committee holds one fully paid share of £1. The executive officers of Provanhall Housing Association Limited hold no interest in the Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Management Committee.

Operational Review

1 Corporate Governance

The Association has a Management Committee who are elected by the members of the Association. It is the responsibility of the Management Committee to determine the strategy, set policies and guide the overall direction for the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The Executive Team of 3 (as listed on the first page of the financial statements) are responsible for achieving the strategy and undertaking the operational activities in line with the policies set.

Our governing body is our Management Committee, which is responsible to the wider membership. Management Committee members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

2 Corporate Issues

Tenant involvement and participation is a major part of the Association's Aims and Objectives and we continue to review how Provanhall involves tenants in its activities.

Provanhall is committed to involving staff in decision making and policy making. In the year just ended staff were fully involved in the internal management plan process and regular staff meetings were held to keep staff informed of our activities.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we have continued to implement our revised staff appraisal system and undertook a staff training needs assessment.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued a programme of major investment in our housing stock, which is by far our most costly asset. This involves carrying out major repairs including the replacement of significant components. We have updated our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do.

We continued to monitor rent arrears closely. We also continued to deliver many completed adaptations to existing properties to meet the specific needs of our tenants.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

3 Other Areas

Risk Management Policy

The Committee have, with advice from the internal auditor, a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

Principal risk and uncertainties

The principal risks and uncertainties facing the Association are on-going welfare reform and Brexit. The Association has a strategic risk register and reviews this regularly. The Management Committee have agreed a 'risk appetite' based on this register and take this into account when making decisions.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Investment Appraisal

Capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

Internal Financial Control

The Management Committee is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Management Committee has established with a view to providing effective internal financial control are detailed on page 8.

Management Structure

The Management Committee has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

General Reserves Policy

The Committee members have reviewed the reserves of Provanhall. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the Association's general reserve increased from £5,789,098 to £6,419,268, due to the surplus of £630,170 generated in the year.

Sales of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs, including first tranche shared ownership sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated. There was one disposal in the year.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

3 Other Areas (cont'd)

Maintenance Policies

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Statement of Comprehensive Income.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Statement of Comprehensive Income, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice for Social Housing Providers issued in 2014.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Budgetary Process

Each year the Management Committee approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Management Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Rental Income

The Association's Rent Policy is a percentage system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The percentage value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the housing movement.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

3 Other Areas (cont'd)

Future Developments

Subject to the availability of public funding and identification of suitable development sites the Association is committed to an on-going development programme to provide new housing for our tenants.

Related Party Transactions

Ten members of the Management Committee are tenants whilst another is a private owner who uses the Association as a factor. Their tenancies and factoring arrangements are on the Association's normal tenancy terms and they cannot use their position to their advantage. Transactions with the Management Committee during the year are disclosed at Note 23.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditor will be proposed at the Annual General Meeting.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 27 August 2018 and signed on its behalf by:



Christine Morris
Secretary

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2018

Under the legislation relating to Co-operative and Community Benefit Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements we are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. 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.

As far as the Committee members are aware there is no relevant audit information of which the auditor is unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such information.

By order of the Management Committee:



Christine Morris
Secretary

Dated: 27 August 2018

PROVANHALL HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31 MARCH 2018

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

- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- 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 include ensuring that:

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

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2018 and until the below date. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Management Committee:



Christine Morris
Secretary

Dated: 27 August 2018

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE ON CORPORATE GOVERNANCE MATTERS

FOR THE YEAR ENDED 31 MARCH 2018

In addition to our audit of the financial statements, we have reviewed your statement on page 8 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for any non-compliance.

Opinion

In our opinion, your Statement on internal financial control on page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control 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 control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

Dated: 27 August 2018

PROVANHALL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVANHALL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Provanhall Housing Association Limited ('the association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2018 and of its income and expenditure 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 Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in 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.

PROVANHALL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVANHALL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 7, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVANHALL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the association's members, as a body, in accordance with Section 87 of 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, as a body, 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.



Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 27 August 2018

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Turnover	4	2,103,825	2,072,140
Operating expenditure	4	(1,482,208)	(1,545,860)
Operating surplus	4	621,617	526,280
Gain/(loss) on disposal of property, plant and equipment	9	7,820	(40,751)
Interest receivable and other income	10	35,563	44,315
Interest payable and similar charges	11	(34,830)	(33,788)
Surplus before tax		630,170	496,056
Taxation	12	-	-
Surplus for the year		630,170	496,056
Other comprehensive income		-	-
Total comprehensive income for the year		630,170	496,056

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

YEAR ENDED 31 MARCH 2018

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2017	156	5,789,098	5,789,254
Total comprehensive income	-	630,170	630,170
Shares issued during the year	32	-	32
Shares cancelled during the year	(25)	-	(25)
Balance at 31 March 2018	<u>163</u>	<u>6,419,268</u>	<u>6,419,431</u>

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

YEAR ENDED 31 MARCH 2017

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	139	5,293,042	5,293,181
Total comprehensive income	-	496,056	496,056
Shares issued during the year	32	-	32
Shares cancelled during the year	(15)	-	(15)
Balance at 31 March 2017	<u>156</u>	<u>5,789,098</u>	<u>5,789,254</u>

The notes form part of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible fixed assets			
- Housing properties	13	12,965,854	12,971,239
- Other fixed assets	13	301,726	316,657
		<u>13,267,580</u>	<u>13,287,896</u>
Current assets			
Debtors	15	223,068	185,422
Cash and cash equivalents	16a	1,780,422	807,013
Investments	16b	1,612,960	2,465,485
		<u>3,616,450</u>	<u>3,457,920</u>
Creditors: amounts falling due within one year	17	<u>(699,160)</u>	<u>(758,860)</u>
Net current assets		<u>2,917,290</u>	<u>2,699,060</u>
Total assets less current liabilities		<u>16,184,870</u>	<u>15,986,956</u>
Creditors: amounts falling due after more than one year	18	<u>(9,765,439)</u>	<u>(10,197,702)</u>
Net assets		<u>6,419,431</u>	<u>5,789,254</u>
Capital and reserves			
Called up share capital	21	163	156
Revenue reserves	22	6,419,268	5,789,098
Total capital and reserves		<u>6,419,431</u>	<u>5,789,254</u>

The financial statements were authorised for issue by the Management Committee on 27 August 2018 and are signed on its behalf by:

Liz McEwan
Chair



Christine Morris
Secretary



Committee Member



The notes form part of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	£	2018 £	£	2017 £
Cash flow from operating activities				
Surplus for the year	630,170		496,056	
<u>Adjustments for non-cash items:</u>				
Carrying amount of tangible fixed asset disposals	5,926		45,477	
Depreciation of tangible fixed assets including loss on disposal of components	525,699		533,500	
SHAPS past service deficit movements	607		(24)	
Increase in trade and other debtors	(37,646)		(9,824)	
Decrease in trade and other creditors	(1,115)		(9,786)	
<u>Adjustments for investing and financing activities:</u>				
Net proceeds from sale of tangible fixed assets	(15,121)		(29,358)	
Grants repaid on disposals	1,375		24,632	
Interest payable	31,830		22,788	
Interest received	(35,563)		(44,315)	
Release of deferred Government capital grants	(350,166)		(411,280)	
SHAPS past service deficit repayment	(44,607)		(41,459)	
Shares cancelled	(25)		(15)	
		711,364		576,392
Cash flow from investing activities				
Purchase of property, plant and equipment	(511,309)		(222,041)	
Proceeds from sale of property, plant and equipment	15,121		29,358	
Grants received	-		67,167	
Grants repaid	(1,375)		(24,632)	
Interest received	35,563		44,315	
		(462,000)		(105,833)
Cash flow from financing activities				
Interest paid	(31,830)		(22,788)	
Repayment of borrowings	(96,682)		(105,437)	
Issue of share capital	32		32	
Withdrawal from current asset investment	852,525		5,208	
		724,045		(122,985)
Net changes in cash and cash equivalents		973,409		347,574
Cash and cash equivalents at 1 April		807,013		459,439
Cash and cash equivalents at 31 March		1,780,422		807,013

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HHC 242. The registered address is available on the first page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

Basis of Accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2018 and of the results for the year ended on that date.

Going Concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2019 and the year to 31 March 2020. The Association has a healthy cash and net current asset position and thus the Management Committee are satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners as the provision of factoring services is accounted for on an agency basis.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (cont'd)

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

All interest payable is charged to the Statement of Comprehensive Income in the period in which it falls due for payment. The basis for the interest payable is the schedule of interest charges agreed with the financing institution during the establishment of the loans.

Fixed assets - Housing land and buildings

Housing properties are stated at cost less accumulated depreciation. The development cost of housing properties includes the following:-

- (i) Cost of acquiring land and buildings;
- (ii) Development expenditure; and
- (iii) Interest charged on the loans during the development of the scheme up until completion.

Depreciation of Housing Properties

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

	Depreciation Period (Years)
Roof	50
Structure	50
Windows	25
Kitchens	15
Bathrooms	25
Central Heating	15
Doors	35
Rewiring	30

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (cont'd)

Other fixed assets

Other fixed assets are stated at cost less depreciation. Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives as follows:

Office Premises – 2%
Furniture & Fittings & Office Equipment – 25%

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income; or
- a material reduction in future maintenance costs; or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Statement of Comprehensive Income.

Impairment of fixed assets

A review for impairment for all fixed assets is carried out on an annual basis and any impairment is recognised by a charge to the Statement of Comprehensive Income.

Debtors

Short-term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represents amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 15.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (cont'd)

Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (cont'd)

Financial instruments (cont'd)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pension costs

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) 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.

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.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Basis of estimation

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The main components of housing properties and their useful lives

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Recoverable amount of rental and other trade receivables

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

The obligations under the SHAPs pension scheme

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

The allocation of costs for shared ownership

Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

PROVANHALL HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	2018			2017		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
Income and Expenditure from lettings						
Social Lettings (Note 5)	2,087,034	1,394,257	692,777	2,070,724	1,474,583	596,141
Other activities (Note 6)	16,791	87,951	(71,160)	1,416	71,277	(69,861)
	<u>2,103,825</u>	<u>1,482,208</u>	<u>621,617</u>	<u>2,072,140</u>	<u>1,545,860</u>	<u>526,280</u>

PROVANHALL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

5. Particulars of Income and Expenditure from social letting activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	2018 Total £	2017 Total £
Income from rent and service charges					
Rent receivable net of service charges	1,705,030	-	3,836	1,708,866	1,650,013
Service charges	-	-	-	-	-
Gross income from rents and service charges	1,705,030	-	3,836	1,708,866	1,650,013
Less voids	(1,958)	-	-	(1,958)	(1,395)
Net income from rents and service charges	1,703,072	-	3,836	1,706,908	1,648,618
Release of deferred Government capital grants	348,112	-	2,054	350,166	411,280
Other revenue grants	29,960	-	-	29,960	10,826
Total turnover from social letting activities	2,081,144	-	5,890	2,087,034	2,070,724
Expenditure					
Management and maintenance administration costs	478,719	-	3,411	482,130	514,458
Service charges	106,498	-	-	106,498	117,396
Planned cyclical maintenance	108,863	-	-	108,863	143,896
Reactive maintenance costs	180,136	-	-	180,136	178,567
Bad debts – rents and service charges	8,474	-	-	8,474	3,855
Depreciation of social housing	505,677	-	2,479	508,156	516,411
Operating expenditure for social letting activities	1,388,367	-	5,890	1,394,257	1,474,583
Operating surplus on letting activities, 2018	692,777	-	-	692,777	
Operating surplus on letting activities, 2017	596,141	-	-		596,141

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2017: £nil).
Included in depreciation of social housing is £3,541 (2017: £nil) relating to the loss on disposal of components.

PROVANHALL HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018

6. Particulars of turnover, operating expenditure and operating surplus from other activities	2018		2017		2018		2018		2017		
	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Total Turnover	Operating expenditure	Bad debts	Other operating expenditure	Operating Surplus	
	£	£	£	£	£	£	£	£	£	£	
Wider role activities	-	-	-	15,376	-	-	-	-	(51,554)	(36,178)	(37,544)
Rechargeable repairs	-	-	-	-	-	(4,537)	-	-	-	(4,537)	(3,175)
Factoring	-	-	-	1,415	1,416	-	-	(1,415)	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-	-
Other activities -- Tenant Participation	-	-	-	-	-	-	-	(30,445)	-	(30,445)	(29,142)
Total from other activities- 2018	-	-	-	16,791	16,791	(4,537)	(83,414)	(71,160)	(69,861)		
Total from other activities- 2017	-	-	-	1,416	1,416	3,175	68,102	(69,861)			

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

7a. Directors' Emoluments

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. The Association considers key management personnel to be the Management Committee and senior management team of the Association only. No Directors or members of key management received emoluments (excluding pension contributions) greater than £60,000.

No emoluments were paid to any member of the Management Committee during the year (2017: none).

	2018 £	2017 £
Emoluments of the Director (excluding pension contributions)	<u>43,102</u>	<u>42,320</u>
Total expenses reimbursed insofar as not chargeable to UK income tax	<u>193</u>	<u>209</u>

The Director is an ordinary member of the Association's pension scheme described in Note 24. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes. The Association's contributions for the Director in the year amounted to £16,936 (2017 - £18,005), which includes a proportion of the deficit contribution payment made to the scheme in the year (Note 24).

The emoluments of key management (excluding pension contributions and including benefits in kind) for the year were £133,215 (2017 - £131,156). Their employers' NI contributions for the year were £12,766 (2017 - £12,537) and their pension contributions (including the past service element) for the year were £52,167 (2017: £55,462).

7b. Employee information

	2018 Number	2017 Number
The average number of full time equivalent employees during the year was:	8	9
	2018 £	2017 £
Staff costs were:-		
Wages and Salaries	270,565	280,186
Social Security Costs	20,838	22,466
Pension Contributions	26,231	17,423
	<u>317,634</u>	<u>320,075</u>

The SHAPs past service deficit liability is subject to remeasurement each financial year.

	2018 £	2017 £
Remeasurement – impact of any change in assumptions	<u>(2,393)</u>	<u>(11,024)</u>

This is included in management and administration costs.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

7b. Employee information (cont'd)

During the year past service deficit contributions of £46,029 (2017: £42,842) were paid. Of this payment, £44,607 (2017: £41,459) was a payment in respect of the SHAPS past service deficit liability. The remainder of £1,422 (2017: £1,383) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £3,000 (2017: £11,000) in the year.

8. Operating surplus

Operating surplus is stated after charging:	2018 £	2017 £
Depreciation including loss on disposal of components	525,699	533,500
Auditor's remuneration:		
- External audit services excluding VAT	7,700	7,500
- Internal audit services excluding VAT	1,915	3,560
	<u> </u>	<u> </u>

9. Gain/(loss) on disposal of property, plant and equipment

	2018 £	2017 £
Housing property disposals	7,820	(40,751)
	<u> </u>	<u> </u>

10. Interest receivable and other income

	2018 £	2017 £
Bank interest received	35,563	44,315
	<u> </u>	<u> </u>

11. Interest payable and similar charges

	2018 £	2017 £
On bank loans and overdrafts	31,830	22,788
SHAPS deficit repayment plan – interest expense (Note 24)	3,000	11,000
	<u> </u>	<u> </u>
	<u>34,830</u>	<u>33,788</u>

12. Taxation

There is no tax liability due as the Association is a registered charity.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

	Housing Properties Held for Letting	Housing Properties under Construction	Completed Shared Ownership Properties	Office Properties	Furniture Fittings & Equipment	Total
	£	£	£	£	£	£
13. Tangible Fixed Assets						
Cost/valuation:						
At 1 April 2017	21,061,684	-	123,942	396,308	130,971	21,712,905
Additions during year:						
Property	-	-	-	-	-	-
Components	508,697	-	-	-	2,612	511,309
Disposals during year:						
Property	(6,742)	-	-	-	(1,707)	(8,449)
Components	(597,428)	-	-	-	-	(597,428)
As at 31 March 2018	<u>20,966,211</u>	<u>-</u>	<u>123,942</u>	<u>396,308</u>	<u>131,876</u>	<u>21,618,337</u>
Depreciation						
At 1 April 2017	8,168,529	-	45,858	94,903	115,719	8,425,009
Charge during year	502,136	-	2,479	7,926	9,617	522,158
Disposals during year:						
Property	(816)	-	-	-	(1,707)	(2,523)
Components	(593,887)	-	-	-	-	(593,887)
As at 31 March 2018	<u>8,075,962</u>	<u>-</u>	<u>48,337</u>	<u>102,829</u>	<u>123,629</u>	<u>8,350,757</u>
Net Book Value						
At 31 March 2018	<u>12,890,249</u>	<u>-</u>	<u>75,605</u>	<u>293,479</u>	<u>8,247</u>	<u>13,267,580</u>
At 31 March 2017	<u>12,893,155</u>	<u>-</u>	<u>78,084</u>	<u>301,405</u>	<u>15,252</u>	<u>13,287,896</u>

Additions to Housing Properties during the year includes no capitalised interest (2017: £nil) and no capitalised administration costs (2017: £nil). All housing properties are freehold. Properties with a cost of £6,742 (2017: £72,094) and accumulated depreciation of £816 (2017: £26,617) have been disposed of in the year for net proceeds of £15,121 (2017: £29,358) from which £1,375 (2017: £24,632) of grant was repaid. Components with a cost of £597,428 (2017: £26,002) and accumulated depreciation of £593,887 (2017: £26,002) have been disposed of for £nil (2017: £nil) net proceeds.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

14. Housing Stock	2018 Number	2017 Number
The number of units of accommodation in management at the year end was:-		
General Needs Housing	488	489
Shared Ownership	2	2
	490	491
	490	491
15. Debtors	2018 £	2017 £
Amounts falling due within one year:		
Arrears of Rent and Service Charges	64,599	51,209
Less: Provision for doubtful debts	(26,149)	(23,838)
	38,450	27,371
Other debtors	30,752	18,068
Prepayments and accrued income	153,866	139,983
	223,068	185,422
	223,068	185,422
The level of technical arrears contained within the rent arrears total was £17,642 (2017: £12,466).		
16a. Cash and cash equivalents	2018 £	2017 £
Balances held in current accounts	1,780,422	807,013
	1,780,422	807,013
	1,780,422	807,013
16b. Investments	2018 £	2017 £
Balances held in deposit accounts	1,612,960	2,465,485
	1,612,960	2,465,485
	1,612,960	2,465,485
17. Creditors: amounts falling due within one year	2018 £	2017 £
Trade creditors	60,031	77,411
Liability for past service deficit contributions (Note 24)	45,945	45,000
Accruals and deferred income	15,977	3,510
HAG creditor	75,395	74,028
Rent in advance	37,761	34,840
Bank loans (Note 18)	108,117	106,533
Other taxes and social security	5,768	6,258
Deferred Government capital grants (Note 19)	350,166	411,280
	699,160	758,860
	699,160	758,860

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

18. Creditors: amounts falling due after more than one year	2018 £	2017 £
Liability for past service deficit contributions (Note 24)	137,055	182,000
Deferred Government Capital Grants (Note 19)	8,031,395	8,320,447
Bank loans	1,596,989	1,695,255
	<u>9,765,439</u>	<u>10,197,702</u>

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest 0.65% to 1.5% (2017: 0.65% to 1.5%) in instalments due as follows:

	2018 £	2017 £
Within one year	108,117	106,533
Between one and two years	109,908	108,298
Between two and five years	340,778	335,782
After five years	1,146,303	1,251,175
	<u>1,705,106</u>	<u>1,801,788</u>
Less: amount shown in current liabilities	(108,117)	(106,533)
	<u>1,596,989</u>	<u>1,695,255</u>

19. Deferred capital grants	2018 £	2017 £
Deferred capital grants at 1 April	8,731,727	9,075,840
Grants received in year	-	67,167
Released to income in year	(350,166)	(411,280)
Deferred capital grants at 31 March	<u>8,381,561</u>	<u>8,731,727</u>
Split:		
< 1 year	350,166	411,280
1-2 years	350,166	411,280
2-5 years	1,050,498	1,233,840
> 5 years	6,630,731	6,675,327
Total	<u>8,381,561</u>	<u>8,731,727</u>

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

20. Financial instruments

	2018 £	2017 £
Financial Assets		
Cash and cash equivalents	1,780,422	807,013
Investments – deposit accounts	1,612,960	2,465,485
Financial assets measured at amortised cost	<u>206,755</u>	<u>172,198</u>
	<u>3,600,137</u>	<u>3,444,696</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>2,039,509</u>	<u>2,183,737</u>

Financial assets measured at amortised cost comprises rental arrears, other debtors and accrued income.

Financial liabilities measured at amortised cost comprises trade creditors, liability for past service deficit contributions, accruals, HAG creditor and bank loans.

No financial instruments are held at fair value through the Statement of Comprehensive Income.

21. Share capital Shares of £1 each fully paid and issued

	2018 £	2017 £
At 1 April 2017	156	139
Issued during the year	32	32
Cancelled during the year	<u>(25)</u>	<u>(15)</u>
At 31 March 2018	<u>163</u>	<u>156</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.

22. Revenue reserves

The revenue reserve includes all current and prior year retained surpluses or deficits.

23. Related parties

The Association has members of the Management Committee who are also tenants. The total rent charged in the year relating to Management Committee members who are tenants is £35,318 (2017: £25,985).

The total rent arrears relating to Management Committee members who are tenants included within debtors at the year end is £274 (2017: £nil). The total prepaid rent relating to Management Committee members who are tenants is £1,349 (2017: £1,597).

23. Related parties (cont'd)

The Association has members of the Management Committee who own properties factored by the Association. The total amount charged in the year relating to Management Committee members is £1,623 (2017: £607). The balance due to the Association at the year end is £1,196 (2017: £nil).

Included on the Management Committee of the Association are 2 members who are also on the Board of Connect Community Trust, a charity who perform Wider Role services on behalf of the Association. During the year services totalling £3,732 (2017: £820) were received from Connect Community Trust. During the year, the Association provided funds of £19,780 (2017: £12,280) to Connect Community Trust to perform those services and paid expenses on behalf of Connect Community Trust of £720 (2017: £720). At the year end, £1,260 (2017: £540) was due to the Association from Connect Community Trust in respect of these services.

24. Pension obligation

General

Provanhall Housing Association Limited (the Association) participates in the Scottish Housing Associations' Pension Scheme, (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The scheme is funded. The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60th accrual rate; Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; 1/120th accrual rate, contracted in; and a Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice. The Association has elected to operate the 1/60th accrual Final Salary Scheme for both existing and new members. In addition to this, there is also a DC scheme available for those members who have chosen not to join the Final Salary Scheme.

During the accounting period the Association paid contributions at the rate of 12.6% of pensionable salaries to the defined benefit scheme and 10% for the defined contribution scheme. Member contributions were 12.5% for the defined benefit scheme and 5% for the defined contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

As at the Statement of Financial Position date there were 4 (2017: 4) active members of the defined benefit scheme and 2 (2017: 3) active members of the DC scheme employed by the Association. The Association continues to offer membership of the Scheme to its employees in respect of the defined contribution 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.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

24. Pension obligation (continued)

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million with liabilities of £814 million to give a deficit of £198 million equivalent to a past service funding level of 76%.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

- Investment return pre retirement		5.30% per annum
- Investment return post retirement	- Non-pensioners	3.40% per annum
- Investment return post retirement	- Pensioners	3.40% per annum
- Rate of salary increases		4.10% per annum
- Rate of pension increases	- pension accrued pre 6 April 2005	2.00% per annum
	- pension accrued from 6 April 2005	1.70% per annum
	- (for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation		2.60% per annum

The contributions paid in respect of the defined contribution scheme is 5% employee contributions and 10% employer contributions.

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

24. Pension obligation (continued)

30 September 2017 funding update (continued)

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £1,771,262 (2017: £2,284,959).

Past service deficit repayment liability

	2018 £	2017 £
Provision at start of period	227,000	268,483
Unwinding of the discount factor (interest expense)	3,000	11,000
Deficit contribution paid	(44,607)	(41,459)
Remeasurements – impact of any changes in assumptions	(2,393)	(11,024)
	<u>183,000</u>	<u>227,000</u>
Provision at end of period		
	<u>183,000</u>	<u>227,000</u>
Liability split as:	2018 £	2017 £
< 1 year	45,945	45,000
1-2 years	46,301	45,000
2-5 years	90,754	137,000
> 5 years	-	-
	<u>183,000</u>	<u>227,000</u>

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

24. Pension obligation (continued)

Statement of Comprehensive Income Impact (continued)	2018	2017
	£	£
Interest expense	3,000	11,000
Remeasurements – impact of any change in assumptions	(2,393)	(11,024)
Assumptions	2018	2017
Rate of discount	1.51%	1.06%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

25. Controlling party

In the opinion of the Management Committee, there is no controlling party.

26. Capital commitments

	2018	2017
	£	£
Capital expenditure authorised by the Management Committee that has been contracted for	-	-
Capital expenditure authorised by the Management Committee but has not yet been contracted for	-	-