Wellhouse Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No.HAC281

FCA Reference No. 2469R(S)

Scottish Charity No. SC036552

WELLHOUSE HOUSING ASSOCIATION LIMITED

CONTENTS

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2015

MANAGEMENT COMMITTEE

Maureen Morris	Chair
Wilma Strang	Vice Chair
Maureen McCormick	Resigned August 15
Carol Torrie	Treasurer
Lesley Copeland	Resigned August 15
Linda Granger	Committee Member
Clare Monteith	Elected October 14
William Mulligan	Resigned August 15
Darron Brown	Elected October 14, Resigned April 15
Pamela Colvin	Elected October 14
Katie Gould	Resigned October 14
Eddie Andrews	Resigned November 14
Linda Brown	Committee Member from November 14
Nile Istephan	Co-optee from November 14
Julianne Scarlett	Co-optee from November 14 Resigned June 15

EXECUTIVE OFFICERS

Joe Williamson	Director (up until March 2015)
Lynn McCulloch	Interim Director (from April 2015)
Yvonne Hague	Deputy Director

REGISTERED OFFICE
49 Wellhouse Cresent
Wellhouse
Glasgow
G33 4LA

AUDITORS
Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS
Clydesdale Bank plc
865 Shettleston Road
Glasgow
G32 7NS

SOLICITORS
TC Young
7 West George Street
Glasgow
G2 1HN

FINANCE AGENTS
FMD Financial Services Ltd.
KCEDG Commercial Centre
29 Ladyloan Avenue
G15 8LB

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2015

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2015.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2469R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036552.

Principal Activities

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

Review of Business and Future Developments

The Scottish Housing Regulator, in December 2014, appointed a manager to Wellhouse under section 58 of the Housing (Scotland) Act 2010. The purpose of this appointment was to address a number of identified risks relating to governance and financial management matters which were highlighted in an independent investigation report. This appointment was also to assist and support the Management Committee in ensuring that the Association's affairs are managed to an appropriate standard.

Since this appointment a number of further investigations and reviews have been carried out and have resulted in changes to policies, practices and procedures as well as changes to Committee membership. There have also been changes to personnel working with the Association.

The year to March 15 proved to be a particularly challenging one for the Association but the Management Committee of the Association is confident that the improvement plans now in place will further stabilise the position and allow the organisation to move forward with confidence.

For the financial year to March 15 the Association generated a surplus for the period of £258,851 and net assets are now stated at £3,320,490. Updates to the financial outlook have been carried out since the year end and these demonstrate viability, under reasonable assumptions, over the short, medium and long term. Our lenders remain supportive and are satisfied with improvements made to date and the plans in place for further improvements to the overall governance and financial management of the Association.

Despite the difficulties and challenges encountered the Association continued to provide services to the local community and was able to achieve a number of positive outcomes including-

- Continued new build activity at Phase 7, for social rent
- A number of new build properties for sale
- A Childrens Home facility built on behalf of Glasgow City Council.
- Net rent arrears at 3.4%
- Low void losses at 0.3%
- A tenant satisfaction survey which shows a close alignment with the improvement plans.

In the forthcoming year the Association expects to-

- Complete an options appraisal and decide on its future structure
- Progress outcomes from options appraisal
- Largely complete its improvement Plans
- Adjust services to address the effects of welfare reform
- Establish the feasibility of proceeding with new build phases 8 and 9
- Continue with its planned programme of stock investment
- Alter its regulatory engagement level from its current High level

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2015

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 with the exception of Co-optees to the Management Committee.

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 .

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. 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.

Statement on Internal Financial Control
During financial year 14/15 there has been a considerable focus on the governance and financial management of the Association.

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control that is appropriate for the business environment in which it operates. The Management Committee also acknowledges that a number of significant weaknesses in this regard have become apparent from the various external reviews and investigations undertaken on behalf of the Management Committee in the last 12 months. Steps have now been put in place to remedy any deficiencies in the systems of internal financial control and the Association is continuing to implement its detailed Governance Improvement Plan.

All financial regulations and procedures have been reviewed and updated to reflect good practice, a firm of Internal Auditors have been appointed, a rolling programme of internal audit is now in place and a number of operational improvements have been made. In addition an Audit and Risk Committee has now been set up by the Association and a detailed remit has been agreed. At the date of signing the financial statements the Management Committee is satisfied that steps are being taken to ensure that there is appropriate planning, monitoring and control of the Association's financial and business affairs and that the financial control system in place is satisfactory and appropriate to the size and complexity of the organisation.

It is the governing bodies responsibility to establish and maintain the systems of internal financial control.Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Key elements of the Association's systems include ensuring that-

- An appropriate organisational structure is in place with suitably experienced and qualified personnel taking responsibility for important business functions.
- Formal policies and procedures are reviewed, updated and applied.
- Risk management processes are updated and reviewed regularly.
- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial operations and progress being made towards achieving the plans set out for the year.
- The Management Committee receive regular reports from the management team and from external and internal auditors to assist in providing reasonable assurance that internal financial controls are in place and are effective.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- Formal procedures are established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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.

Donations
During the year the Association made charitable donations amounting to £525 (2014 £500).

Auditors

In line with good practice the Association will put its external audit out to tender at least every seven years with the next review being undertaken during financial year 2015/16.Following the outcome of this tender process the Association will select the auditors for the year ended 31 March 2016.

By order of the Management Committee

Lynn McCulloch

LYNN MCCULLOCH
Secretary
27 August 2015

REPORT BY THE AUDITORS TO THE MEMBERS WELLHOUSE 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 within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

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

Through enquiry of certain 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 relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Alexander Sloan

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
27 August 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Wellhouse Housing Association Limited for the year ended 31st March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowlege acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.

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

- 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 Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Alexander Sloan.

ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
27 August 2015

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes		2015		2014
		£	£	£	£
TURNOVER	2.		3,020,033		2,709,419
Operating Costs	2.		(2,592,032)		(2,043,749)
OPERATING SURPLUS	9.		428,001		665,670
Release of Negative Goodwill	24.	49,358		49,362	
Interest Receivable and Other Income		15,523		24,086	
Interest Payable and Similar Charges	8.	(234,031)		(330,394)	
			(169,150)		(256,946)
SURPLUS FOR THE YEAR			258,851		408,724

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

The notes on Pages 11 to 27 form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31st MARCH 2015

	Notes		2015		2014
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		37,565,825		34,756,002
Less: Social Housing Grant	11.(a)		(25,632,048)		(24,982,899)
: Other Public Grants	11.(a)		(52,813)		(54,802)
			11,880,964		9,718,301
Other fixed assets	11.(b)		620,025		808,534
			12,500,989		10,526,835
Negative Goodwill	24.		(1,202,295)		(1,251,653)
FIXED ASSET INVESTMENTS					
Shared Equity Cost	22.	100,000		-	
Shared Equity Grant	22.	(100,000)		-	
			-		-
CURRENT ASSETS					
Stock		13,070		-	
Debtors	14.	357,100		190,191	
Development Cost of Housing Property	23.	368,000		-	
Cash at bank and in hand		2,556,107		5,721,832	
		3,294,277		5,912,023	
CREDITORS: Amounts falling due within one year	15.	(11,272,481)		(2,852,706)	
NET CURRENT (LIABILITIES)/ASSETS			(7,978,204)		3,059,317
TOTAL ASSETS LESS CURRENT LIABILITIES			3,320,490		12,334,499
CREDITORS: Amounts falling due after more than one year	16.		-		(9,272,846)
NET ASSETS			3,320,490		3,061,653
CAPITAL AND RESERVES					
Share Capital	18.		454		468
Designated Reserves	19.(a)		2,237,478		2,095,290
Revenue Reserves	19.(b)		1,082,558		965,895
			3,320,490		3,061,653

The Financial Statements were approved by the Management Committee and signed on their behalf on 27 August 2015.

M Morris — *Chairperson*

W. Stray — *Vice-Chairperson*

Lynn McCullock — *Secretary*

The notes on Pages 11 to 27 form an integral part of these Financial Statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2015 £	2014 £	2014 £
Net Cash Inflow from Operating Activites	17.		1,144,310		1,106,870
Returns on Investment and Servicing of Finance					
Interest Received		15,523		24,086	
Interest Paid		(284,914)		(330,394)	
Net Cash Outflow from Investment and Servicing of Finance			(269,391)		(306,308)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(3,182,332)		(1,508,986)	
Purchase of Other Fixed Assets		(11,676)		(56,540)	
Social Housing Grant Received		756,432		1,012,720	
Social Housing Grant Repaid		-		(5,808)	
Proceeds on Disposal of Properties		-		17,778	
Proceeds on Disposal of Other Fixed Assets		-		12,000	
Net Cash Outflow from Capital Expenditure and Financial Investment			(2,437,576)		(528,836)
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing			(1,562,657)		271,726
Financing					
Loan Principal Repayments		(1,603,087)		(206,659)	
Share Capital Issued		19		303	
Net Cash Outflow from Financing			(1,603,068)		(206,356)
(Decrease) / Increase in Cash	17.		(3,165,725)		65,370

The notes on Pages 11 to 27 form an integral part of these Financial Statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme. From August 2014 the Association participated in the defined contribution scheme. The Association continues to participate in the defined benefit scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments for the defined benefit scheme 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.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and 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*
Bathrooms	20 years
Kitchens	15 years
Boilers	15 years
Central Heating	30 years
Electrics	30 years
Attic Insulation	25 years
Windows	35 years
Close Doors	20 years
External Doors	20 years
Guttering	25 years
Rendering	50 years
Roofs	50 years
Structure	50 years

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

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

Office Premises	2% - 3 1/3%
Furniture and Fittings	20%
Commercial Properties	2%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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

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

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets
Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet 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.

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

Designated Reserves
The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost
The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

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

Negative Goodwill
Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2015 Turnover £	2015 Operating Costs £	2015 Operating Surplus / (Deficit) £	2014 Turnover £	2014 Operating Costs £	2014 Operating Surplus / (Deficit) £
Social Lettings	3.	2,731,112	2,058,897	672,215	2,643,347	1,886,826	756,521
Other Activities	4.	288,921	533,135	(244,214)	66,072	156,923	(90,851)
Total		3,020,033	2,592,032	428,001	2,709,419	2,043,749	665,670

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	2015 Total £	2014 Total £
Income from Lettings			
Rent Receivable Net of Identifiable Service Charges	2,700,526	2,700,526	2,595,003
Service Charges Receivable	38,856	38,856	68,862
Gross Rents Receivable	2,739,382	2,739,382	2,663,865
Less: Rent losses from voids	8,270	8,270	20,518
Net Rents Receivable	2,731,112	2,731,112	2,643,347
Revenue Grants from Scottish Ministers	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-
Total Income From Social Letting	2,731,112	2,731,112	2,643,347
Expenditure on Social Letting Activities			
Service Costs	38,856	38,856	68,862
Management and maintenance administration costs	1,125,019	1,125,019	735,163
Reactive Maintenance	389,935	389,935	471,751
Bad Debts - Rents and Service Charges	(1,346)	(1,346)	(13,930)
Planned and Cyclical Maintenance, including Major Repairs	148,502	148,502	267,140
Depreciation of Social Housing	357,931	357,931	357,840
Operating Costs of Social Letting	2,058,897	2,058,897	1,886,826
Operating Surplus on Social Letting Activities	672,215	672,215	756,521
2014	756,521		

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

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2015 £	Operating Surplus / (Deficit) 2014 £
Wider Role Activities	-	-	-	-	-	-	16,529	(16,529)	(37,842)
Factoring	-	-	-	8,941	8,941	-	8,984	(43)	10,115
Development and construction of property activities	-	-	-	240,000	240,000	-	240,000	-	-
Agency / Management services for other RSLs	-	-	-	-	-	-	-	-	(16,623)
Commercial and hub activity	-	-	-	37,596	37,596	-	14,356	23,240	-
Stage 3 income	-	-	-	2,384	2,384	-	-	2,384	18,361
Depreciation Other	-	-	-	-	-	-	-	-	(44,862)
Tenant participation costs	-	-	-	-	-	-	46,116	(46,116)	-
Commercial property impairment	-	-	-	-	-	-	153,650	(153,650)	-
Charegable repair bad debts	-	-	-	-	-	31,500	-	(31,500)	-
Connect Community Trust	-	-	-	-	-	-	22,000	(22,000)	(20,000)
Total From Other Activities	-	-	-	288,921	288,921	31,500	501,635	(244,214)	(90,851)
2014	-	-	-	66,072	66,072	-	156,923	(90,851)	

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	100,731	69,445
Compensation payable to Officers for loss of Office	58,850	-
Pension contributions made on behalf on Officers with emoluments greater than £60,000	8,423	6,527
Emoluments payable to Chief Executive (excluding pension contributions)	100,731	69,445

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	-	1
£100,001 to £110,000	1	-

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	20	16
Staff Costs were:	£	£
Wages and Salaries	639,949	479,160
Social Security Costs	58,748	43,406
Other Pension Costs	87,855	44,010
Temporary, Agency and Seconded Staff	75,449	39,940
	862,001	606,516

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	-	17,778
Cost of Sales	-	17,778
Gain On Sale Of Housing Stock	-	-

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	336,872	330,394
	336,872	330,394
Less: Interest Capitalised	102,841	-
	234,031	330,394

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2014 £nil).

9. SURPLUS FOR THE YEAR

	2015	2014
Surplus on Ordinary Activities before Taxation is stated after charging:-	£	£
Depreciation - Tangible Owned Fixed Assets	404,466	402,703
Auditors' Remuneration - Audit Services	5,930	7,150
- Other Services	3,194	636
Operating Lease Rentals - Other	28,777	17,420
Gain on sale of fixed assets	-	(2,400)

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
COST			
As at 1st April 2014	35,477,136	1,477,614	36,954,750
Additions	361,320	2,923,853	3,285,173
Disposals	(160,865)	-	(160,865)
As at 31st March 2015	35,677,591	4,401,467	40,079,058
DEPRECIATION			
As at 1st April 2014	2,198,748	-	2,198,748
Charge for Year	345,622	-	345,622
Disposals	(31,137)	-	(31,137)
As at 31st March 2015	2,513,233	-	2,513,233
SOCIAL HOUSING GRANT			
As at 1st April 2014	23,623,632	1,359,267	24,982,899
Additions	7,249	757,330	764,579
Disposals	(115,430)	-	(115,430)
As at 31st March 2015	23,515,451	2,116,597	25,632,048
OTHER CAPITAL GRANTS			
As at 1st April 2014	54,802	-	54,802
Disposals	(1,989)	-	(1,989)
As at 31st March 2015	52,813	-	52,813
NET BOOK VALUE			
As at 31st March 2015	9,596,094	2,284,870	11,880,964
As at 31st March 2014	9,599,954	118,347	9,718,301

Additions to housing properties includes capitalised development administration costs of £24,966 (2014 - £24,086) and capitalised major repair costs to existing properties of £355,668 (2014 £458,376)

In addition to the above, there is capitalised interest of £102,841 (2014 £nil)

All land and housing properties are freehold.

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Commercial Property £	Motor Vehicle £	Office Premises £	Office Furniture & Equipment £	Total £
COST					
As at 1st April 2014	588,358	42,785	1,395,549	237,962	2,264,654
Additions	-	-	-	11,676	11,676
As at 31st March 2015	588,358	42,785	1,395,549	249,638	2,276,330
GRANTS RECEIVED					
As at 1st April 2014	-	-	1,085,240	-	1,085,240
As at 31st March 2015	-	-	1,085,240	-	1,085,240
AGGREGATE DEPRECIATION					
As at 1st April 2014	106,808	10,771	52,208	201,093	370,880
Charge for year	12,900	10,771	5,449	17,415	46,535
Impairment	153,650				153,650
As at 31st March 2015	273,358	21,542	57,657	218,508	571,065
NET BOOK VALUE					
As at 31st March 2015	315,000	21,243	252,652	31,130	620,025
As at 31st March 2014	481,550	32,014	258,101	36,869	808,534

As a result of a valuation of its commercial properties at 31 December 2014 the Association has impaired the properties by £153,650 to bring the net book value to the market value of £315,000.

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	561,153	3,453,033

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
Other		
Expiring within one year	24,961	452
Expiring between two and five years	3,816	16,986

14. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	132,973	153,931
Less: Provision for Doubtful Debts	(40,022)	(57,499)
	92,951	96,432
Social Housing Grant Receivable	16,067	7,920
Other Debtors	248,082	85,839
	357,100	190,191

15. CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Housing Loans	10,233,886	2,564,127
Trade Creditors	466,124	152,805
Rent in Advance	17,702	25,029
Other Taxation and Social Security	43,316	13,854
Other Creditors	226,209	96,891
Accruals and Deferred Income	285,244	-
	11,272,481	2,852,706

At the balance sheet date there were pension contributions outstanding of £7,467 (2014 £3,551)

16. CREDITORS: Amounts falling due after more than one year

	2015	2014
	£	£
Housing Loans	-	9,272,846

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-

Within one year	10,233,886	2,564,127
Between one and two years	-	214,500
Between two and five years	-	652,998
In five years or more	-	8,405,348
	10,233,886	11,836,973
Less: Amount shown in Current Liabilities	10,233,886	2,564,127
	-	9,272,846

At the year end the Association had a breach of a bank covenant. As a result the debt is shown as due within one year. After the year end a waiver was provided by the banks and repayments will fall due in line with the loan agreements.

17. CASH FLOW STATEMENT

Reconciliation of operating surplus to net cash inflow from operating activites	2015 £	2014 £
Operating Surplus	428,001	665,670
Depreciation	404,466	402,703
Commercial property impairment	153,650	
Change in properties developed for resale	(368,000)	-
Change in Stock	(13,070)	-
Change in Debtors	(158,762)	27,477
Change in Creditors	698,058	13,440
Gain on sale of fixed assets	-	(2,400)
Share Capital Written Off	(33)	(20)
Net Cash Inflow from Operating Activites	1,144,310	1,106,870

Reconciliation of net cash flow to movement in net debt	2015 £	£	2014 £	£
(Decrease) / Increase in Cash	(3,165,725)		65,370	
Cash flow from change in debt	1,603,087		194,689	
Movement in net debt during year		(1,562,638)		260,059
Net debt at 1st April 2014		(6,115,141)		(6,375,200)
Net debt at 31st March 2015		(7,677,779)		(6,115,141)

Analysis of changes in net debt	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	5,721,832	(3,165,725)		2,556,107
Bank Overdrafts	-	-		-
	5,721,832	(3,165,725)		2,556,107
Liquid Resources	-	-		-
Debt: Due within one year	(2,564,127)	1,603,087	(9,272,846)	(10,233,886)
Due after more than one year	(9,272,846)	-	9,272,846	-
Net Debt	(6,115,141)	(1,562,638)	-	(7,677,779)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	468
Issued in year	19
Cancelled in year	(33)
At 31st March 2015	454

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.

19. RESERVES

(a) Designated Reserves	Cyclical Maintenance	Major Repairs	Total
	£	£	£
At 1st April 2014	142,188	1,953,102	2,095,290
Transfer to / (from) Revenue Reserves	-	142,188	142,188
At 31st March 2015	142,188	2,095,290	2,237,478

(b) Revenue Reserves	Total
	£
At 1st April 2014	965,895
Surplus for the year	258,851
Transfer (to) / from Designated Reserves	(142,188)
At 31st March 2015	1,082,558

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015	2014
	No.	No.
General Needs - New Build	330	301
- Rehabilitation	528	528
	858	829

21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

Nine members of the committee at the year end are tenants of the Association

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

Four members of the Management Committee are also Trustees of Connect Community Trust.

During the year Connect Community Trust charged the Association £9,841 (2014 - £39,475) for maintenance work. The Association charged the Trust £4,000 (2014 - £4,000) for Innerzone rent and £2,373 (2014 - £4,329) for general admin costs. The Trust charged the Association £19,876 (2014 - £19,876) for the concierge service.

Additionally, Connect Community Trust charged the Association £2,448 (2014 - £1,360) for events and promotions, £514 (2014 - £357) for supplies, £2,500 (2014 - £2,500) for EHRA project management and £nil (2014 - £436) for rates. During the year the Association also gave the Trust £2,037 (2014 - £100) in donations.

At the balance sheet date £1,596 (2014 - £22,156) was outstanding from the Trust and £2,265 (2014 - £354) was due to the Trust.

The Association gave a grant of £nil (2014 - £20,000) to Connect Community Trust during the year. The Association agreed to write off the previous years debtor of £22,000 instead of providing a grant this year.

Services provided to the Trust, in the year, but which are not charged for include rent, electricity, gas, rates and repairs, buildings insurance and use of board room at 49 Wellhouse Crescent.

The Association pays a subscription to the Glasgow and West of Scotland Forum of Housing Associations and provides accountancy services without charge. The Association's former Director served as a Director of the Forum until January 2015 and left the Association in March 2015.

22. FIXED ASSET INVESTMENT

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	100,000	-
Less: Grants Receivable	100,000	-
	-	-

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2015	2014
	£	£
Shared Equity Properties		
Completed Properties Unsold	424,259	-
	424,259	-
Less: Grants Received from Scottish Ministers	(56,259)	-
	368,000	-

24. NEGATIVE GOODWILL

	2015	2014
	£	£
Balance as at 1st April 2014	1,251,653	1,301,015
Release during the year	(49,358)	(49,362)
As at 31st March 2015	1,202,295	1,251,653

25. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

The Scheme offers five benefit structures to employers, namely:

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

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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Wellhouse Housing Association Limited has elected to operate both the final salary with a 1/60th accrual rate from 31 March 2008 and the Defined Contribtion (DC) Scheme from 01 August 2014.

The Trustee commissions an actuarial valuation of the Scheme every three 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.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Final Salary with a 1/60th Accrual Rate Scheme

During the accounting period Wellhouse Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.

As at the balance sheet date there were 2 active members of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £87,680. Wellhouse Housing Association Limited continues to offer membership of the Scheme to its employees.

Defined Contribution (DC) Scheme

During the accounting period Wellhouse Housing Association Limited paid contributions at the rate of 10% of pensionable salaries. Member contributions were 5%.

As at the balance sheet date there were 8 active members of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £218,456.

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit Structure	*Long-term joint contribution rate (% of pensionable*
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have recently supplied Wellhouse Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Wellhouse Housing Association Limited will be required to pay £49,962 per annum as a contribution to the past service deficit. This will represent an increase/decrease of 3% in Wellhouse Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation 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.

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 currently participating 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.