

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2017

WELLHOUSE HOUSING ASSOCIATION LIMITED

Management Committee, Executives and Advisers For the year ended 31 March 2017

MANAGEMENT COMMITTEE

Maureen Morris		Chair
Wilma Strang		Vice Chair
Carol Torrie		Treasurer
Clare Monteith		Committee Member
Pamela Colvin		Committee Member
Linda Brown		Committee Member
Darron Brown	(resigned 15 September 2016, elected 15 April 2017)	Committee Member
Tom Lucas	(elected 15 April 2017)	Committee Member
Danny Dickson		Co-optee
Michelle Harrow	(elected 15 April 2017)	Co-optee
Jane Heppenstall	(elected 15 April 2017)	Co-optee
Nile Istephan	(resigned 26 April 2017)	Committee Member
Joe Callghan	(resigned 26 April 2017)	Co-optee
Angela Devine	(resigned 10 January 2017)	Co-optee

EXECUTIVE OFFICERS

Martin Wilkie-McFarlane	(appointed 23 May 2016)	Director & Secretary
Lynn McCulloch	(resigned 3 June 2016)	Interim Director
Sharon Flynn		Housing Manager (from 5 September 2016)
		Operations Manager (to 5 September 2016)
Alexander Gemmell	(appointed 5 September 2016)	Senior Maintenance Officer
Gordon Kerr	(appointed 1 May 2017)	Finance Manager

REGISTERED OFFICE

49 Wellhouse Crescent
Wellhouse
Glasgow
G33 4LA

EXTERNAL AUDITOR

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

BANKERS

Clydesdale Bank plc
865 Shettleston Road
Glasgow
G32 6NS

INTERNAL AUDITOR

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

The Management Committee presents its report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2017.

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. The Association was incorporated in Scotland.

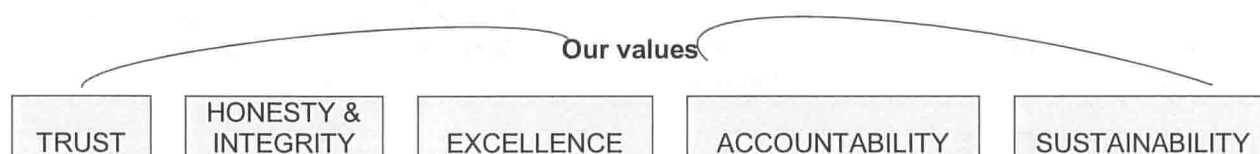
Strategic Report

Principal Activities

The principal activity of the Association is the provision and management of affordable rented accommodation.

Our Values

As a charity and a community controlled Housing Association working to deliver social benefits, our values are very important to us. They underpin our services and drive our behaviours. They are:-



Our Vision: Wellhouse – the Place to Be

Encapsulated in this simple statement is our vision of Wellhouse as an attractive place where people feel happy and safe, benefit from having a good home and an attractive environment and feel proud to be part of a vibrant community.

Our Strategic Objectives

To ensure we stay focused on transforming our business and making the social impact we seek, we have developed a set of six strategic objectives for the next three years. From these objectives, all our activities will flow. We will also measure our success by setting targets against these objectives, ensuring that we deliver them effectively and efficiently. The six objectives are to:-

1. Deliver excellent services;
2. Provide good quality homes;
3. Anticipate, understand and respond to local needs;
4. Foster an attractive, successful and thriving community;
5. Maintain good governance and financial management; and
6. Value and invest in our people.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Review of Business

The Scottish Housing Regulator, in December 2014, appointed a manager to Wellhouse Housing Association Limited 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 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. The Association currently has a high level of engagement with the Regulator.

Since this appointment a number of further investigations and reviews were carried out which resulted in changes to policies practices and procedures as well as changes to Committee membership. There have also been changes to personnel working within the Association with a full staffing restructure having been completed in Autumn 2016.

This statutory appointment ended on 30 November 2016. The Association remains on High Engagement with the Scottish Housing Regulator.

The year to 31 March 2017 was a period of significant positive development for the Association and the Management Committee of the Association is confident that the improvement plans now in place, with the current staff team and renewed focus on operational improvements will further stabilise the position and allow the organisation to move forward with confidence to 'new' Wellhouse.

For the financial year to 31 March 2017 the Association generated a surplus of £441,094 (2016: £364,147) with net assets of £4,082,384 (2016: £3,641,423). 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:

- Completed a staffing restructure, including the appointment of the new Director who started in May 2016;
- Fully completed its Governance Improvement Plans;
- Adjusted services to address the effects of welfare reform by adopting the Frontline Futures model of working and supporting the work of our income adviser;
- Delivered the feasibility studies for proceeding with new build phases 8 and 9 and explored options for phase 10;
- Continued with its planned program of stock investment and delivered an updated asset management strategy;
- Delivered a new 30 year business plan and associated documents;
- Ended the statutory intervention;
- Delivered a new set of policies and procedures;
- Conducted and implemented a comprehensive review of rent and service charges;
- Renewed its approach to risk management;
- Net rent arrears at 3.3%;
- Low void losses at 0.5%;
- A tenant satisfaction survey which shows a close alignment with the Improvement Plan and the establishment of a Customer Opinion Panel;
- Largely completed its Improvement Plans;
- Implementation of Committee appraisals and training to ensure the strong governance of the Association;
- Adjusted services to address the effects of welfare reform; and
- Spent £469k on planned/cyclical and reactive maintenance costs.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Review of Business (continued)

We invested £968k on component replacements including:

- 37 smoke alarm, heat detector and CO detector installations;
- 1 Gas central heating systems;
- 25 Boiler replacements;
- 113 properties with external wall insulation;
- 10 Closes with new roofs;
- 45 Kitchens;
- 1 Bathroom;
- 12 Wet floor showers or adapted bathrooms;
- 1 rewire; and
- 6 major removal of asbestos from our properties.

We also:

- Carried out the demolition of 176 properties; and
- Carried out path renewals to 24 properties.

Future developments

In the forthcoming year the Association expects to:

- Analyse the effectiveness of service charges;
- Fully complete its Operational Improvement Plans;
- Deliver a Strategic Investment Funding Plan to the local authority for (longer term) development ambitions;
- Continue with its planned program of stock investment;
- Alter its regulatory engagement level from its current high level;
- Deliver a new set of policies and procedures; and
- Conduct a comprehensive review of customer satisfaction, including means of communication.

Principal risks and uncertainties

Our principle uncertainties are:

- Welfare Reform - The roll out of Universal Credit is expected to take place in 2017/18 and we know that this will have a detrimental impact on many of our customers and without preventative action could affect our own cashflow and operational performance. We expect that it will take some time for the new processes to settle down.
- Increasing Demand - the changing profile of our customers is likely to have an impact on the demand for our services. We expect to see increasing demands for care and support in the community. We also expect to see a more ethnically diverse community with demands for particular language and support needs from people including refugees. We may also see a demand for houses with a different size and layout. Whilst this will no doubt offer us opportunities to review and improve our services, it will also increase the demand on our resources.
- Affordability - the current economic climate and in particular the lack of any significant increase in wages means that householders are continuing to struggle to make ends meet, even with the lower fuel and petrol costs we have just now. Although inflation has been maintained at a very low level, there is now speculation that bank lending rates will soon start to increase. All of this, especially when coupled with the move to direct payments of Universal Credit to tenants, places significant risk on our organisation.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Principal risks and uncertainties (continued)

- Budget cuts - locally, the cuts to public service budgets continue, with Glasgow City Council experiencing a shortfall of £86 million in 2016/17 and a further shortfall of £47 million forecast for 2017/18. Whilst the full details of how the Council will address this is not yet clear, we expect the impact to be felt right across the city as the Council tries to meet increasing demands with fewer resources.
- We are aware that GCC are planning Council Tax increases and withdrawing financial support for sheltered housing.
- GCC/The Wheatley Group Strategic Plan- Whilst more social housing is very welcome in Greater Easterhouse, there remain concerns that the communities may suffer from having a large scale absentee landlord/developer in the area. This will be closely monitored.

The Opportunities

When we look at this operating environment, a number of these external factors reveal some potential opportunities for us. These include:-

- Partnerships - we have put measures in place to strengthen the organisation, and welcome the opportunity to re-engage with the Easterhouse Housing & Regeneration Alliance (EHRA) and our other strategic and operational partners to ensure we influence and are well-aligned with a joint vision for the area.
- Place-making - We know that there is currently an appetite and funding support for asset-based community development and more design-led approaches to regeneration. We also know that there are opportunities to continue to improve the local environment and to promote Wellhouse as an attractive place to live and work. We are represented in the Thriving Places aspects of the Glasgow Community Plan and this gives us a base from which to take up opportunities.
- Sustainability - we recognise the opportunity that the new Scottish Model of Procurement offers us in terms of delivering not just value for money but also improved sustainability and social benefit. The potential impact that this could have on, say, our procurement policy and asset management strategy could be very positive. We are introducing a range of new sustainability policies in 2017/18.
- Social Impact - we have introduced an annual Collaboration Agreement with Connect Community Trust (CCT) and see this as an important opportunity to strengthen our relationship, embed our role beyond that of bricks and mortar and increase the social impact we can make, together. The excellent outcomes already achieved in Wellhouse by CCT give us confidence that we can achieve much, much more for our customers by collaborating with an organisation skilled and experienced in delivering social impact. Our collaboration brings a blend of expertise and access to clients and funds that effectively multiplies the benefits beyond what either of us could achieve on our own.
- GCC SHIP - Glasgow City Council see Greater Easterhouse as a key development zone. Our track record in development and our geographical uniqueness place us in a strong position for our final phases of development. The City Council has gained substantial additional funding for social housing and we will work with them as our key strategic partner in meeting housing need, where appropriate.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Key performance indicators

KPI Brief Description	KPI Target	2016/17 Actual
Rent Collected as % of total rent due for year	100%	99.8%
Gross Rent Arrears as % of rent due for year	4.40%	5.4%
% of Void Rent Loss	1%	0.5%
Current Arrears	4%	4.61%
Re-let time	10 days	21 days
Average time to complete EME repairs	4 hours	2.81 hours
Average time to complete NON-EME repairs	10 days	4.21 days
Reactive repairs carried out completed right first time	100%	98.1%
Reactive Costs per unit*	£252	£227

* reactive costs per unit relate solely to reactive repairs and does not include void repairs or estate cleaning

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 members of the Management Committee and 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

Housing Association legislation 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 income and expenditure of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; 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. The Committee is 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.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

Related Party Transactions

Five members of the Management Committee are tenants. Their tenancies 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 24.

Statement on Internal Financial Control

During financial year 2016/17 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 acknowledges that a number of significant weaknesses were identified from the various external reviews and investigations undertaken on behalf of the Management Committee in previous financial years. Steps have been taken to remedy any deficiencies in the systems of internal financial control and the Association has implemented its detailed Governance Improvement Plan.

All financial regulations and procedures have been reviewed and updated to reflect good practice, a firm of Internal Auditors were 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 operated throughout the financial year 2016/17. 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 body's 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 the external and internal auditor 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; and
- 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; and
- The safeguarding of assets against unauthorised use or disposition.

WELLHOUSE HOUSING ASSOCIATION LIMITED**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2017****Statement on Internal Financial Control (continued)**

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2017 and until the date these financial statements have been signed. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £200 (2016: £200).

Auditor

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

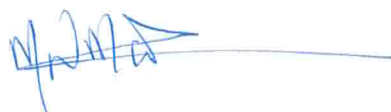
Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee.

By order of the Management Committee



Martin Wilkie-McFarlane
Secretary

Dated: 22 August 2017

WELLHOUSE HOUSING ASSOCIATION LIMITED**Report of the auditor to the Management Committee of Wellhouse Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2017**

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 7 and 8 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 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 reasons given for any non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 7 and 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 controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 22 August 2017

WELLHOUSE HOUSING ASSOCIATION LIMITED**Report of the Independent Auditor to the Members of Wellhouse Housing Association Limited
For the year ended 31 March 2017**

We have audited the financial statements of Wellhouse Housing Association Limited for the year ended 31 March 2017 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 related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 87 the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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.

Respective responsibilities of the Management Committee and the auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 6, the Management Committee is responsible for the preparation of financial statements which 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 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 properly prepared in accordance with the requirements of 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.

WELLHOUSE HOUSING ASSOCIATION LIMITED**Report of the Independent Auditor to the Members of Wellhouse Housing Association Limited
For the year ended 31 March 2017****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 requires us to report to you if, in our opinion:

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

Scott - Moncrieff

Scott-Moncrieff, Statutory Auditor

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 22 August 2017

WELLHOUSE HOUSING ASSOCIATION LIMITED

Statement of Comprehensive Income
For the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover	4	3,581,288	4,142,091
Operating expenditure	4	(2,786,466)	(3,513,524)
Operating surplus	4	794,822	628,567
Release of negative goodwill	15	(29,228)	49,362
(Loss)/ gain on sale of property, plant and equipment	10	(24,616)	5,864
Interest receivable and other income		1,989	4,108
Interest and financing costs	11	(301,873)	(323,754)
		(353,728)	(264,420)
Surplus before tax		441,094	364,147
Taxation	12	-	-
Surplus for the year		441,094	364,147
Other comprehensive income		-	-
Total comprehensive income for the year		441,094	364,147

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Statement of Changes in Capital and Reserves
For the year ended 31 March 2017

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	454	3,640,969	3,641,423
Total comprehensive income for the year	-	441,094	441,094
Issue of shares	5	-	5
Cancellation of shares	(138)	-	(138)
Balance at 31 March 2017	321	4,082,063	4,082,384

Statement of Changes in Capital and Reserves
For the year ended 31 March 2016

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015	454	3,276,822	3,277,276
Total comprehensive income for the year	-	364,147	364,147
Issue of shares	4	-	4
Cancellation of shares	(4)	-	(4)
Balance at 31 March 2016	454	3,640,969	3,641,423

WELLHOUSE HOUSING ASSOCIATION LIMITED

Statement of Financial Position
As at 31 March 2017

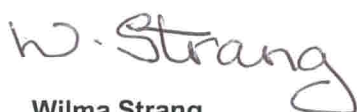
	Notes	£	2017	£	£	2016	£
Tangible fixed assets							
Housing properties – depreciated cost	13(a)		29,357,067			29,408,147	
Other non-current assets	13(b)		1,425,097			1,465,477	
			<u>30,782,164</u>			<u>30,873,624</u>	
Negative goodwill	15		(1,182,161)			(1,152,933)	
			<u>29,600,003</u>			<u>29,720,691</u>	
Current assets							
Stock			-		9,107		
Debtors	16	268,896			268,589		
Cash and cash equivalents	17	1,554,402			1,618,223		
			<u>1,823,298</u>		<u>1,895,919</u>		
Creditors: amounts falling due within one year	18	(6,259,742)			(1,441,768)		
Net current (liabilities)/assets			<u>(4,436,444)</u>			<u>454,151</u>	
Total assets less current liabilities			<u>25,163,559</u>			<u>30,174,842</u>	
Creditors: amounts falling due after more than one year	19		(21,081,175)			(26,533,419)	
Net assets			<u>4,082,384</u>			<u>3,641,423</u>	
Capital and reserves							
Share capital	22		321			454	
Revenue reserve	23		4,082,063			3,640,969	
			<u>4,082,384</u>			<u>3,641,423</u>	

The financial statements were approved by the Management Committee on 22 August 2017 and signed on their behalf by:




Maureen Morris

Chair



Wilma Strang

Vice Chair



Martin Wilkie-McFarlane

Secretary

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Statement of Cash Flows
For the year ended 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Net cash generated from operating activities	28		1,493,026		961,972
Cash flow from investing activities					
Purchase of housing properties		(1,014,706)		(732,321)	
Purchase of other property, plant and equipment		(4,032)		(37,639)	
Proceeds from sale of housing properties		77,752		77,774	
Net proceeds from sale of other property, plant and equipment		-		2,822	
Government Capital grants received		46,554		285,224	
Repayment of Government Capital grant		(158,137)		(19,844)	
Interest received		1,989		4,108	
			(1,050,580)		(419,876)
Cash flow from financing activities					
Interest paid		(288,873)		(310,452)	
Repayment of borrowings		(217,399)		(1,169,532)	
Issue of share capital		5		4	
			(506,267)		(1,479,980)
Net change in cash and cash equivalents			(63,821)		(937,884)
Cash and cash equivalents at 1 April	17		1,618,223		2,556,107
Cash and cash equivalents at 31 March	17		1,554,402		1,618,223

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2017. These financial statements comprise the results of the Association only.

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 HAC281. The registered office address is included on page 1.

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

The Association's Scottish Charity number is SC036552.

2. Principal accounting policies

Basis of accounting

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 UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with Determination of Accounting Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2017, 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 2017 and of the results for the year ended on that date.

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

The principal accounting policies are set out below.

Going concern

The Association has shown a healthy surplus year on year and the Committee believes that the Association will carry on this trend for the foreseeable future. In addition to this, the Association has healthy cash reserves and a strong net assets position. The Management Committee have therefore adopted the going concern basis in preparing the financial statements.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, Glasgow City Council and other agencies. Also included is any management fees for the factoring of properties for private owners. Also included is any income from first tranche shared equity disposals.

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.

WELLHOUSE HOUSING ASSOCIATION LIMITED**Notes to the Financial Statements
For the year ended 31 March 2017****2. Principal accounting policies (continued)****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.

Interest receivable

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

Interest and financing costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. Borrowing costs incurred during the course of construction of a housing development are capitalised.

Valuation of housing properties

Housing properties are stated at cost less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing properties within note 13a. 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 or depreciated replacement cost.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

2. Principal accounting policies (continued)

<i>Component</i>	<i>Useful Economic Life</i>
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

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 $\frac{1}{3}$ %
Office Furniture and Equipment	20%
Motor Vehicles	25%

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

Shared equity sales

The proportion of the development cost of shared equity 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. First tranche shared equity disposals are credited to turnover with the cost of construction of these sales taken to operating expenditure. In accordance with the SORP, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss shown in the Statement of Comprehensive Income.

Right to Buy sales

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal with any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

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, a reduction in future maintenance costs or a significant extension of the life of the property. When a component is replaced the existing component is disposed, and the new component is capitalised.

Capitalisation of development overheads

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

WELLHOUSE HOUSING ASSOCIATION LIMITED**Notes to the Financial Statements
For the year ended 31 March 2017****2. Principal accounting policies (continued)****Development interest**

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

Commercial property

The commercial property is carried at fair value determined by external valuers and derived from the current market rents and commercial property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Leases/leased assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Negative goodwill

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

Debtors

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

Rental arrears

Rental arrears represent amounts due by tenants for the 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 16.

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.

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.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

2. Principal accounting policies (continued)

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 and loans from banks.

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 rental arrear deferred beyond normal Association terms 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.

Retirement benefits

The Scottish Housing Association Defined Benefits Pension Scheme

The Housing Association participated in The Scottish Housing Association Defined Benefits Pension Scheme where retirement benefits to employees of the Housing Association are funded by the contributions from all participating employers and employees in the Scheme. The last remaining employee who was a member of the Defined Benefit Pension Scheme transferred to the Defined Contribution Scheme in 2016/17. 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.

From 1 August 2014, the Association elected to operate the Defined Contribution (DC) Scheme for all other staff. The contributions made by the Association are recognised as an expense in the Statement of Comprehensive Income when they fall due. The assets of the Scheme are held separately from the Association in independently administered funds.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

3. Judgements in applying policies and key sources of 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

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPS pension scheme

The valuation of the commercial property

Basis of estimation

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

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.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. The obligation recognised is based on the 2016 March repayment plan.

The commercial property has been valued at its market value based on a valuation performed by a qualified valuer based on market data.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

4. Particulars of turnover, operating expenditure and operating surplus

	Notes	2017 Turnover £	2017 Operating Expenditure £	2017 Operating surplus/(deficit) £	2016 Turnover £	2016 Operating Expenditure £	2016 Operating surplus/(deficit) £
Social lettings	5	3,527,638	2,697,916	829,722	3,722,420	3,007,129	715,291
Other activities	6	53,650	88,550	(34,900)	419,671	506,395	(86,724)
Total		<u>3,581,288</u>	<u>2,786,466</u>	<u>794,822</u>	<u>4,142,091</u>	<u>3,513,524</u>	<u>628,567</u>

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

5. Particulars of income and expenditure from social letting activities

	General Needs Housing £	2017 Total £	2016 Total £
Income from lettings			
Rent receivable net of identifiable service charges	2,886,829	2,886,829	2,915,408
Service charges receivable	4,063	4,063	20,996
Gross rents receivable	2,890,892	2,890,892	2,936,404
Less: Rent losses from voids	(13,783)	(13,783)	(12,934)
Net rents receivable	2,877,109	2,877,109	2,923,470
Release of deferred government capital grants	607,851	607,851	584,825
Other revenue grants	42,678	42,678	214,125
Total income from social letting activities	3,527,638	3,527,638	3,722,420
Expenditure on social letting activities			
Service costs	4,063	4,063	20,996
Management and maintenance administration costs	1,128,654	1,128,654	1,380,312
Reactive maintenance costs	384,422	384,422	362,964
Bad debts – rents and service charges	21,073	21,073	8,999
Planned and cyclical maintenance	84,228	84,228	84,457
Major repairs	73,259	73,259	219,584
Stage 3 repairs	38,799	38,799	27,723
Depreciation of social housing	963,418	963,418	902,094
Operating expenditure for social letting activities	2,697,916	2,697,916	3,007,129
Operating surplus on letting activities, 2017	829,722	829,722	
Operating surplus on letting activities, 2016			715,291

Included in depreciation of social housing is £44,896 (2016: £18,817) in respect of the loss on disposable components.

There is no supporting housing accommodation or shared ownership accommodation.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

6. Particulars of turnover, operating expenditure and operating deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting People income £	Other income £	Total Turnover £	Operating expenditure - bad debts £	Other operating expenditure £	Operating surplus/(deficit) 2017 £	2016 £
Wider role activities	-	-	-	-	-	-	-	-	(7,063)
Factoring	12,686	-	-	-	12,686	182	9,291	3,213	(1,458)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Agency/management services	-	-	-	-	-	-	-	-	1,000
Commercial and hub activity	-	-	-	40,668	40,668	-	27,137	13,531	6,853
Tenant participation costs	-	-	-	-	-	-	16,423	(16,423)	(54,807)
Re-chargeable repair bad debts	-	-	-	-	-	9,342	-	(9,342)	(11,249)
Connect Community Trust	-	-	-	-	-	-	20,200	(20,200)	(20,000)
Shared equity property sales	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	296	296	5,975	-	(5,679)	-
Total from other activities 2017	<u>12,686</u>	<u>-</u>	<u>-</u>	<u>40,964</u>	<u>53,650</u>	<u>15,499</u>	<u>73,051</u>	<u>(34,900)</u>	
Total from other activities 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,671</u>	<u>419,671</u>	<u>12,771</u>	<u>493,624</u>		<u>(86,724)</u>

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

7. 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. No emoluments were paid to any member of the Management Committee during the year. The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

	2017	2016
	£	£
Aggregate Emoluments payable to officers with emoluments greater than £60,000 (excluding Pension Contributions)	-	318,874
Compensation payable to Officers for loss of office	-	25,000
Pension contributions made on behalf of Officers with emoluments greater than £60,000	-	3,052
Emoluments payable to the Director (excluding pension contributions)	53,140	-
Pension contributions in respect of the Director	5,314	-
Fees payable to interim director	18,200	70,175

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
£70,001 to £80,000	-	2
£80,001 to £90,000	-	-
£90,000 to £100,000	-	1

In 2015/16, payments (excluding pension contributions) made to key management personnel, consisting of the Interim Director, the acting Finance Director, the former Operations Manager, the former Deputy Director and the Special Manager appointed by the Scottish Housing Regulator were £343,874. The pension contributions were £3,052.

In 2016/17, payments (excluding pension contributions) made to key management personnel, consisting of the Director, the interim Director, the acting Finance Director, the Housing Manager, Operations Manager, the Senior Maintenance Officer and the Special Manager appointed by the Scottish Housing Regulator were £221,398. The pension contributions were £12,595.

8. Employee information

	2017	2016
The average number of full time equivalent persons employed during the year was:	20	22
The average total number of employees employed during the year was	21	23
Staff costs were:	£	£
Wages and salaries	591,448	594,616
Society security costs	52,289	52,394
Other pension costs	42,217	31,681
Temporary, agency and seconded staff	-	-
	685,954	678,691

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

8. Employee information (continued)

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

	2017 £	2016 £
Remeasurement – impact of any change in assumptions and amendments to contributions schedule	1,280	(2,000)

This is included in management and maintenance administration costs.

9. Operating surplus

	2017 £	2016 £
Surplus before tax is stated after charging:		
Depreciation - Tangible Fixed Assets	962,934	943,301
- Loss on disposed components	44,896	18,817
Auditor's Remuneration - Audit services (inc VAT)	10,098	9,900
- Other services (inc VAT)	765	900
Internal Auditor's fees (inc VAT)	9,966	12,007
Operating lease rentals – other	13,117	28,957

10. (Loss)/gain on sale of property, plant and equipment

	2017 £	2016 £
Proceeds on sale of property, plant and equipment	77,752	80,596
Net book value of assets at time of sale	(102,368)	(74,732)
(Loss)/gain on sale of housing stock	(24,616)	5,864

11. Interest and financing costs

	2017 £	2016 £
SHAPS Pension interest (unwinding of discount)	13,000	13,302
On bank loans and overdrafts	288,873	321,430
Less: Interest capitalised	-	(10,978)
	301,873	323,754

12. 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. No tax is due on the Association's other activities due to the losses incurred (2016: £nil).

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

13. Tangible fixed assets			
(a) Housing properties			
Cost	Housing properties held for letting £	Housing properties under construction £	Total £
At 1 April 2016	39,081,592	16,067	39,097,659
Additions - properties	-	46,555	46,555
Additions - components	968,151	-	968,151
Disposals - properties	(152,186)	-	(152,186)
Disposals - components	(127,422)	-	(127,422)
Transfers	-	-	-
At 31 March 2017	39,770,135	62,622	39,832,757
Depreciation			
At 1 April 2016	9,689,512	-	9,689,512
Charge for year	918,522	-	918,522
On disposals - properties	(49,818)	-	(49,818)
On disposals - components	(82,526)	-	(82,526)
At 31 March 2017	10,475,690	-	10,475,690
Net Book Value			
At 31 March 2017	29,294,445	62,622	29,357,067
At 31 March 2016	29,392,080	16,067	29,408,147

Additions to housing properties include capitalised development administration costs of £nil (2016: £11,908) and external wall insulation costs of £742,828 (2016: £339,140). In addition to the above, there is capitalised interest of £nil (2016: £10,978).

All land and properties are freehold.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

13. Tangible fixed assets

(b) Other fixed assets	Commercial property	Motor vehicles	Office premises	Office furniture & equipment	Total
Cost	£	£	£	£	£
As at 1 April 2016	315,000	14,160	1,395,549	183,896	1,908,605
Additions	-	-	-	4,032	4,032
Disposals	-	-	-	-	-
As at 31 March 2017	315,000	14,160	1,395,549	187,928	1,912,637
Aggregate Depreciation					
As at 1 April 2016	-	10,769	296,846	135,513	443,128
Charge for year	-	3,391	24,949	16,072	44,412
Depreciation on disposals	-	-	-	-	-
As at 31 March 2017	-	14,160	321,795	151,585	487,540
Net Book Value					
At 31 March 2017	315,000	-	1,073,754	36,343	1,425,097
At 31 March 2016	315,000	3,391	1,098,703	48,383	1,465,477

The commercial property was revalued by Jones Lang La Salle, Chartered Surveyors, at 31 March 2016 on a market basis. The Management Committee consider this to be the fair value at 31 March 2017.

14. Housing stock

2017
£

2016
£

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

General Needs	- New build	342	342
	- Rehabilitation	452	456
		794	798

15. Negative goodwill

2017
£

2016
£

Gross	1,449,101	1,449,101
Amortisation		
As at 1 April	(296,168)	(246,806)
Released during the year	29,228	(49,362)
	(266,940)	(296,168)
Net position at 31 March	1,182,161	1,152,933

The negative goodwill was generated as a result of a transfer of engagements from GHA in 2010/11.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

16. Debtors	2017 £	2016 £
Arrears of rent and service charges	155,482	139,235
Less: Provision for doubtful debts	(61,027)	(42,813)
	<u>94,455</u>	<u>96,422</u>
Social housing grant receivable	23,295	32,659
Other debtors	151,146	139,508
	<u>268,896</u>	<u>268,589</u>

All amounts shown under debtors fall due for payment within one year.

17. Cash and cash equivalents	2017 £	2016 £
Balances with banks	<u>1,554,402</u>	<u>1,618,223</u>

18. Creditors: amounts falling due within one year	2017 £	2016 £
Bank loans (note 19)	4,691,679	217,500
Trade creditors	454,432	339,710
Rent in advance	68,588	11,972
Other taxation and social security	22,849	13,008
Other creditors	376,694	219,839
SHAPS past service deficit repayment plan (note 25)	52,000	49,239
Deferred capital grant (note 20)	593,500	590,500
	<u>6,259,742</u>	<u>1,441,768</u>

Two of the bank loans with a capital value of £4,473,079 are interest only loans that are due to be repaid or renegotiated on 27 October 2017 and therefore are disclosed within creditors falling due within one year.

At the year end other creditors included outstanding pension contributions of £10,329 (2016: £7,799).

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

19. Creditors: amounts falling due after more than one year	2017 £	2016 £
Bank loans	4,155,276	8,846,854
SHAPS past service deficit repayment plan (note 25)	212,000	250,232
Deferred capital grants (note 20)	16,713,899	17,436,333
	<u>21,081,175</u>	<u>26,533,419</u>

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at rates of interest of between 2.10% to 4.40% in instalments, due as follows:

Amounts due within one year	4,691,679	217,500
Amounts due between one and two years	217,887	4,692,879
Amounts due between two and five years	625,500	635,714
Amounts due in more than five years	3,311,889	3,518,261
	<u>8,846,955</u>	<u>9,064,354</u>
Less: Amount shown in current liabilities	(4,691,679)	(217,500)
	<u>4,155,276</u>	<u>8,846,854</u>

20. Deferred capital grants	2017 £	2016 £
Balance at 1 April	18,026,833	18,346,278
Grants received in year	46,554	285,224
Grants repaid in year	(158,137)	(19,844)
Released to income in year – Housing properties	(584,323)	(561,232)
Released to income in year – Other fixed assets	(23,528)	(23,593)
	<u>17,307,399</u>	<u>18,026,833</u>
Balance at 31 March		
Split as follows:		
Amounts due within one year	593,500	590,500
Amounts due between one and two years	593,500	550,000
Amounts due between two and five years	1,780,500	1,620,000
Amounts due in more than five years	14,339,899	15,266,333
	<u>17,307,399</u>	<u>18,026,833</u>

Included in grants repaid in the year is £44,002 (2016: £19,844) in relation to Right to Buy disposals. The remaining £114,135 (2016: £nil) relates to the repayment of grant to Glasgow City Council in respect of the Phase 7 development.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

21. Financial instruments	2017 £	2016 £
Financial assets		
Cash and cash equivalents	1,554,402	1,618,223
Financial assets measured at amortised cost	229,946	250,892
	<u>1,784,348</u>	<u>1,869,115</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>9,942,081</u>	<u>9,923,374</u>

Financial assets measured at amortised cost comprise rent arrears, social housing grant receivable and other debtors (excluding prepayments).

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and the SHAPS past service deficit repayment plan.

No financial assets or financial liabilities are held at fair value.

22. Share capital	2017 £	2016 £
Shares of £1 each issued and fully paid		
At 1 April	454	454
Shares issued in year	5	4
Shares cancelled in year	(138)	(4)
	<u>321</u>	<u>454</u>
At 31 March		

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on 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. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

23. Revenue reserve

Revenue reserves are unrestricted and undesignated funds available for general use to further the Association's aims and objectives.

24. Related party transactions

Five members (2016: five) 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. The total rent charged in the year relating to tenant Management Committee members is £19,664 (2016: £22,948). The total rent arrears relating to tenant Management Committee members is £1,269 (2016: £916). The total prepaid rent relating to tenant Management Committee members is £49 (2016: £ nil).

During the year, no (2016: 4) members of the Management Committee were also Trustees of Connect Community Trust. During the year Connect Community Trust charged the Association £18,219 (2016: £19,876) for the concierge service, £2,078 (2016: £8,771) for maintenance work, £nil (2016: £5,000) for ERHA project management, £800 (2016: £1,379) for events and promotions, £92 (2016: £nil) for supplies and £200 (2016: £200) in donations. Connect Community Trust incurred expenditure on behalf of the Association for general running costs of £nil (2016: £6,374).

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

24. Related party transactions (continued)

During the year the Association charged the Trust £4,000 (2016: £4,000) for Innerzone rent, £2,440 (2016: £2,984) for general admin costs, £237 (2016: £nil) for electricity for allotment and £900 (2016: £nil) for costs associated with the lease.

At the Statement of Financial Position dated £1,027 (2016: £3,538) was outstanding from the Trust and £1,869 (2016: £4,156) was due to the Trust. These amounts are included in other debtors and accruals respectively.

The Association gave a grant of £20,000 (2016: £20,000) to Connect Community Trust during the year.

During the year, the Association incurred expenses on behalf of the Trust to include rent, electricity, gas, rates and repairs, buildings insurance and use of the board room at 49 Wellhouse Crescent amounting to £37,027 (2016: £34,334).

25. Retirement benefit obligations

General

Wellhouse Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "scheme") which is funded and is contracted out of the State Pension scheme.

The Scheme is a multi-employer defined benefit scheme. 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.
- 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) 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 3 months' notice. Wellhouse Housing Association Limited has elected to operate the Defined Contribution (DC) Scheme to all other staff. Please note, the last remaining employee who was a member of the defined benefit scheme transferred to the defined contribution scheme in the year.

Defined benefit scheme

The Trustees commission 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% (excluding the past service deficit) of pensionable salaries. Member contributions were 12.3%. There was an additional annual employer past service deficit contribution of £49,751 made in the year ended 31 March 2017 (2016 - £48,302). The past service deficit contribution for 2017/18 is £51,880.

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

25. Retirement benefit obligations (continued)

As at the Statement of Financial Position date there are no active members (2016: 1) of the Scheme employed by Wellhouse Housing Association Limited. The last remaining member transferred to the defined contribution scheme during the year to 31 March 2017. Wellhouse Housing Association Limited no longer offers membership to this scheme with all existing and new staff offered 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.

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. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 75.6%.

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 deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contributions provided to the Association on 3 March 2016 by the Pensions Trust

Past service deficit repayment liability	2017	2016
	£	£
Provision at start of period	299,471	336,471
Unwinding of the discount factor (interest expense)	13,000	13,302
Deficit contribution paid	(49,751)	(48,302)
Remeasurements – impact of any changes in assumptions	8,000	(2,000)
Remeasurements – amendments to the contributions schedule	(6,720)	-
Provision at end of period	<u>264,000</u>	<u>299,471</u>
	2017	2016
	£	£
Liability split as:		
Amounts due within one year	52,000	49,239
Amounts due between one and two years	53,000	50,196
Amounts due between two and five years	159,000	152,688
Amounts due in more than five years	-	47,348
	<u>264,000</u>	<u>299,471</u>

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

25. Retirement benefit obligations (continued)

Statement of Comprehensive Income Impact	2017 £	2016 £
Interest expense	13,000	13,302
Remeasurements – impact of any change in assumptions and amendments to the contributions schedule	1,280	(2,000)
	<u>14,280</u>	<u>11,302</u>
 Assumptions	 2017	 2016
Rate of discount	1.06%	2.29%

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 band yield curve to discount the same recovery plan contributions.

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.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by a 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 buy-out 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 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 2016 is £2,547,407 (2016: £1,988,682). The Association does not expect to withdraw from the Scheme.

Defined Contribution (DC) Scheme

From 1 August 2014, the Association elected to operate the Defined Contribution (DC) Scheme for all staff. The contributions made by the Association are recognised as an expense in the Statement of Comprehensive Income when they fall due. The assets of the Scheme are held separately from the Association in independently administered funds.

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 year-end there were 15 (2016: 8) active members of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £493,885 (2016: £235,968).

The employer contributions paid in the year were £42,217 (2016: £31,681).

WELLHOUSE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

26. Capital commitments	2017	2016
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	-	174,370
The above commitments will be financed by the Association's own resources.		
27. Commitments under operating leases	2017	2016
	£	£
At the year end, the total future minimum payments under operating leases were due as follows:		
Equipment:		
Not later than one year	13,123	19,465
Later than one year and not later than five years	4,736	7,138
	17,859	26,603
28. Net cash flow from operating activities	2017	2016
	£	£
Surplus for the year	441,094	364,147
Adjustments for non-cash items:		
Carrying amount of housing property disposals	102,368	74,732
Depreciation of housing properties	963,418	902,094
Depreciation of other fixed assets	44,412	60,034
Decrease in stocks	9,107	3,963
(Increase)/decrease in debtors	(307)	456,511
Increase/(decrease) in creditors	338,034	(454,066)
Proceeds from sale of fixed assets	(77,752)	(80,596)
SHAPS past service deficit remeasurement	1,280	(2,000)
Release of negative goodwill	29,228	(49,362)
Adjustments for investing and financing activities:		
Interest payable	301,873	323,754
Interest received	(1,989)	(4,108)
Release of deferred government capital grant	(607,851)	(584,825)
Forfeited share capital	(138)	(4)
SHAPS deficit contribution paid	(49,751)	(48,302)
Net cash generated from operating activities	1,493,026	961,972

