

Clydesdale Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

Registered Housing Association No. HAL93

FCA Reference No. 2237RS

Scottish Charity No. SC034228

CLYDESDALE HOUSING ASSOCIATION LIMITED

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CLYDESDALE HOUSING ASSOCIATION LIMITED

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

MANAGEMENT COMMITTEE

Pauline Sandford	Chairperson - Elected 29/06/16
Iain Cochrane	Chairperson - Resigned 22/06/16
Jean Ramage	Secretary
Patrick Ross Taylor	Treasurer
Catherine McClymont	Council Representative
Clive Malins	
Jeanette Arneil	
Don Anderson	
Frank Caddell	
Christine Shookhye	Elected 02/09/15
Susanne Crayton	Elected 02/09/15
Colin McInnes	Elected 02/09/15
Lynsey Hamilton	Elected 02/09/15
Malcolm Topper	Elected 02/09/15 - Resigned 21/6/16

EXECUTIVE OFFICERS

Joe Gorman	Chief Executive
Jane Guthrie	Deputy Chief Executive
Eileen Wilson	Finance Manager
Vicky Rogers	Technical Services Manager

REGISTERED OFFICE

99 High Street
Lanark
ML11 7LN

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

INTERNAL AUDITORS

Quinn Internal Audit
120 Kingsknowe Road North
Edinburgh
EH14 2DG

BANKERS

Royal Bank of Scotland
88 High Street
Lanark
ML11 7ET

SOLICITORS

Davidson & Shirley
11 Hope Street
Lanark
ML11 7ND

SOLICITORS

T.C. Young
7 West George Street
Glasgow
G2 1BA

CLYDESDALE HOUSING ASSOCIATION LIMITED

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

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

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2237RS. The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC034228.

Principal Activities

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

Review of Business and Future Developments

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. Turnover in the financial year to 31 March 2016 was £3,558,385 and slightly down on the previous year (2015 - £3,561,063) and the operating surplus of £832,979 represented a small decrease on the previous year (2015 - £880,686).

During the year opportunities for alternative office accommodation were considered, however, none of these proved to be suitable to the Association's requirements. Work therefore continues on sourcing and securing permanent offices for Clydesdale.

The Association carried out additional stock condition surveys over 2015/16 - increasing the total percentage of stock fully surveyed to 64%. This provided vital information on performance against the Scottish Housing Quality Standard and has assisted longer-term investment planning in maintaining the condition of the Association's housing stock.

It is anticipated that the Scottish Government's Energy Efficiency Standard for Social Housing (EESH) will require additional levels of housing investment by the Association if housing stock is to meet this new standard by the 2020 deadline. A consultant has been commissioned to assess the energy efficiency of the Association's properties and identify investment options for working towards the EESH. Results of this work are anticipated in late 2016.

Clydesdale Housing Association has suspended consideration of new housing development projects until the level of investment required to meet the EESH is known. The Association is committed to achieving the EESH by 2020.

CLYDESDALE HOUSING ASSOCIATION LIMITED

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

Management Committee and Executive Officers

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

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

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

Statement of Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position 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.

CLYDESDALE HOUSING ASSOCIATION LIMITED

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

Statement on Internal Financial Control

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £nil (2015 £nil).

Auditors

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

By order of the Management Committee

JEAN RAMAGE
Secretary
31 August 2016



CLYDESDALE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF CLYDESDALE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS



In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

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

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

A handwritten signature in black ink, appearing to read 'Alex Sloan'.

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
31 August 2016

We have audited the financial statements of Clydesdale Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

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

Respective Responsibilities of Management Committee and Auditors

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

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

Scope of the audit on the Financial Statements

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

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

Matters on which we are required to report by exception

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

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CLYDESDALE HOUSING ASSOCIATION LIMITED**

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
31 August 2016

CLYDESDALE HOUSING ASSOCIATION LIMITED

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

	Notes	£	2016 £	£	2015 £
REVENUE	2.		3,558,385		3,561,063
Operating Costs	2.		(2,725,406)		(2,680,377)
OPERATING SURPLUS	9.		832,979		880,686
Gain On Sale Of Housing Stock	7.	183,192		80,151	
Interest Receivable and Other Income		9,882		8,679	
Interest Payable and Similar Charges	8.	(123,194)		(128,771)	
Other Finance Charges	11.	(38,038)		(30,339)	
			31,842		(70,280)
SURPLUS FOR YEAR			<u>864,821</u>		<u>810,406</u>
Other Comprehensive Income			-		-
TOTAL COMPREHENSIVE INCOME			<u>864,821</u>		<u>810,406</u>

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

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	Notes	2016 £	2015 £
NON-CURRENT ASSETS			
Housing Properties - Depreciated Cost	12.(a)	29,828,604	30,903,058
Other Non Current Assets	12.(b)	46,616	39,999
		<u>29,875,220</u>	<u>30,943,057</u>
CURRENT ASSETS			
Receivables	14.	260,672	191,191
Cash at bank and in hand		4,359,277	3,664,415
		<u>4,619,949</u>	<u>3,855,606</u>
CREDITORS: Amounts falling due within one year	15.	(715,858)	(817,601)
NET CURRENT ASSETS		<u>3,904,091</u>	<u>3,038,005</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,779,311</u>	<u>33,981,062</u>
CREDITORS: Amounts falling due after more than one year	16.	(4,888,093)	(5,182,445)
DEFERRED INCOME			
Social Housing Grants	18.	(18,536,028)	(19,294,164)
Other Grants	18.	(348,907)	(362,960)
		<u>(18,884,935)</u>	<u>(19,657,124)</u>
NET ASSETS		<u>10,006,283</u>	<u>9,141,493</u>
EQUITY			
Share Capital	19.	101	132
Revenue Reserves		10,006,182	9,141,361
		<u>10,006,283</u>	<u>9,141,493</u>

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

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 31 August 2016.

Chairperson

Baudford

Treasurer

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Secretary

J. Ramozi

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

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

	Notes	2016 £	2015 £
Net Cash Inflow from Operating Activities	17.	913,017	1,237,239
Investing Activities			
Acquisition and Construction of Properties	(103,879)	(542,875)	
Purchase of Other Fixed Assets	(11,022)	(2,354)	
Social Housing Grant Received	(56,597)	-	
Social Housing Grant Repaid	(65,020)	(66,183)	
Proceeds on Disposal of Properties	331,251	176,433	
Net Cash Inflow / (Outflow) from Investing Activities		94,733	(434,979)
Financing Activities			
Interest Received on Cash and Cash Equivalents	9,882	8,679	
Interest Paid on Loans	(123,194)	(128,771)	
Loan Principal Repayments	(199,581)	(196,243)	
Share Capital Issued	5	5	
Net Cash Outflow from Financing		(312,888)	(316,330)
Increase in Cash		694,862	485,930
Opening Cash & Cash Equivalents		3,664,415	3,178,485
Closing Cash & Cash Equivalents		4,359,277	3,664,415
Cash and Cash equivalents as at 31 March 2016.			
Cash		4,359,277	3,664,415
Bank overdraft		-	-
		4,359,277	3,664,415

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	154	8,330,955	8,331,109
Issue of Shares	5	-	5
Cancellation of Shares	(27)	-	(27)
Surplus for Year	-	810,406	810,406
Balance as at 31st March 2015	<u>132</u>	<u>9,141,361</u>	<u>9,141,493</u>
Balance as at 1st April 2015	132	9,141,361	9,141,493
Issue of Shares	5	-	5
Cancellation of Shares	(36)	-	(36)
Surplus for Year	-	864,821	864,821
Balance as at 31st March 2016	<u>101</u>	<u>10,006,182</u>	<u>10,006,283</u>

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

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

Revenue

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

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

Retirement Benefits

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	50 years
Kitchen	15 years
Bathrooms	30 years
Roofs	50 years
Windows	30 years
External Doors	25 years
Rewiring	40 years
Boilers	15 years
Radiators	20 years

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Non-Current Assets

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

Office Premises	- 3.33%
Furniture and Fittings	- 15%
Computer Equipment	- 33.33%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of comprehensive Income when these components are replaced.

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

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

Sales Of Housing Properties

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

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

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

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

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Useful life of properties, plant and equipment

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

Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

Pension Liability

The Association has calculated the Net Present Value of the agreed deficit payments and through this has estimated the discount rate that is applicable to be 3.582% (2015 - 2.635%) with this being based on a high quality corporate bond.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

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

Development Interest

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

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 Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

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

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

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

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

b) The Categorisation of Housing Properties

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

c) Identification of cash generating units

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

d) Financial Instrument Break Clause

The Association has considered the break clauses attached to the Financial Instruments that it has in place for its loan funding. In the judgement of the Management Committee these break clauses do not cause the Financial Instrument to be classified as a Complex Financial Instrument, and therefore they meet the definition of a Basic Financial Instrument.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2016			2015		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	3,549,021	2,719,686	829,335	3,549,255	2,679,777	869,478
Other Activities	4.	9,364	5,720	3,644	11,808	600	11,208
Total		3,558,385	2,725,406	832,979	3,561,063	2,680,377	880,686

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared ownership £	2016 Total £	2015 Total £
Revenue from Lettings				
Rent Receivable Net of Service Charges	2,770,207	30,112	2,800,319	2,728,805
Service Charges	54,089	2,306	56,395	56,916
Gross income from rent and service charges	2,824,296	32,418	2,856,714	2,785,721
Less: Rent losses from voids	16,480	172	16,652	12,259
Net Rents Receivable	2,807,816	32,246	2,840,062	2,773,462
Grants released from deferred income	605,056	19,469	624,525	712,621
Revenue grants from Scottish Ministers	84,434	-	84,434	63,172
Total turnover from affordable letting activities	3,497,306	51,715	3,549,021	3,549,255
Expenditure on affordable letting activities				
Management and maintenance administration costs	837,017	20,804	857,821	851,348
Service Costs	72,178	1,413	73,591	58,641
Planned and cyclical maintenance, including major repairs	469,069	-	469,069	440,051
Reactive maintenance costs	357,631	-	357,631	346,442
Bad Debts - rents and service charges	13,674	268	13,942	8,762
Depreciation of affordable let properties	926,777	20,855	947,632	974,533
Operating costs of affordable letting activities	2,676,346	43,340	2,719,686	2,679,777
Operating surplus on affordable letting activities	820,960	8,375	829,335	869,478
2015	862,451	7,027		

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

CLYDESDALE HOUSING ASSO

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2016	Operating Surplus / (Deficit) 2015
	£	£	£	£	£	£
Factoring	8,197	8,197	-	5,720	2,477	7,708
Other activities	1,167	1,167	-	-	1,167	3,500
Total From Other Activities	9,364	9,364	-	5,720	3,644	11,208
2015	11,808	11,808	-	600	11,208	

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

	2016	2015
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	63,692	62,750
Pension contributions made on behalf on Officers with emoluments greater than £60,000	7,677	7,563
Emoluments payable to Chief Executive (excluding pension contributions)	63,692	62,750
Total Compensation paid to key management personnel	209,011	206,170

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
	1	1
£60,001 to £70,000		

6. EMPLOYEE INFORMATION

	2016	2015
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	12	12
The average total number of Employees employed during the year was	14	14
Staff Costs were:	£	£
Wages and Salaries	456,289	428,250
Social Security Costs	43,540	38,522
Other Pension Costs	56,377	47,275
Temporary, Agency and Seconded Staff	-	7,099
	556,206	521,146

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2016	2015
	£	£
Sales Proceeds	331,251	176,433
Cost of Sales	148,059	96,282
Gain On Sale Of Housing Stock	183,192	80,151

8. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	123,194	128,771

9. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	953,512	974,533
Auditors' Remuneration - Audit Services	8,496	8,250
Auditors' Remuneration - Other Services	3,340	1,722
Operating Lease Rentals - Land & Buildings	9,500	17,333
Gain on sale of fixed assets	180,562	80,151

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

	2016	2015
	£	£
Unwinding of Discounted Liabilities	38,038	30,339

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
COST			
As at 1st April 2015	41,962,794	1,054,922	43,017,716
Additions	103,879	-	103,879
Disposals	(172,259)	(180,785)	(353,044)
As at 31st March 2016	41,894,414	874,137	42,768,551
DEPRECIATION			
As at 1st April 2015	11,782,002	332,656	12,114,658
Charge for Year	926,937	20,855	947,792
Disposals	(58,916)	(63,587)	(122,503)
As at 31st March 2016	12,650,023	289,924	12,939,947
NET BOOK VALUE			
As at 31st March 2016	29,244,391	584,213	29,828,604
As at 31st March 2015	30,180,792	722,266	30,903,058

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £103,879 (2015 £542,875)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £314,820. The amount capitalised is £103,879, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £103,879 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £14,725,874 (2015 - £15,406,924).

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)			
b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2015	72,879	260,368	333,247
Additions	-	11,022	11,022
Eliminated on Disposals	-	(227,837)	(227,837)
As at 31st March 2016	72,879	43,553	116,432
AGGREGATE DEPRECIATION			
As at 1st April 2015	38,010	255,238	293,248
Charge for year	2,427	3,293	5,720
Eliminated on disposal	-	(229,152)	(229,152)
As at 31st March 2016	40,437	29,379	69,816
NET BOOK VALUE			
As at 31st March 2016	32,442	14,174	46,616
As at 31st March 2015	34,869	5,130	39,999

13. COMMITMENTS UNDER OPERATING LEASES

	2016	2015
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	£	£
Not later than one year	8,550	-
Later than one year and not later than five years	-	18,050

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Arrears of Rent & Service Charges	118,283	101,364
Less: Provision for Doubtful Debts	(37,365)	(28,900)
	80,918	72,464
Social Housing Grant Receivable	56,597	-
Other Receivables	123,157	118,727
	260,672	191,191

15 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Housing Loans	222,691	199,464
Rent in Advance	37,839	75,452
Other Taxation and Social Security	12,571	7,570
Other Payables	92,037	80,195
Liability for Past Service Contributions	107,943	104,361
Accruals and Deferred Income	242,777	350,559
	715,858	817,601

At the balance sheet date there were pension contributions outstanding of £16,661 (2015 £nil)

16 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Liability for Past Service Contributions	501,577	573,121
Housing Loans	4,386,516	4,609,324
	4,888,093	5,182,445
<i>Housing Loans</i>		
Amounts due within one year	222,691	199,464
Amounts due in one year or more but less than two years	224,726	246,539
Amounts due in two years or more but less than five years	689,808	757,104
Amounts due in more than five years	3,471,981	3,605,681
	4,609,206	4,808,788
Less: Amount shown in Current Liabilities	222,691	199,464
	4,386,515	4,609,324
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	107,943	104,361
Amounts due in one year or more but less than two years	101,264	103,775
Amounts due in two years or more but less than five years	305,959	287,769
Amounts due in more than five years	94,354	181,577
	609,520	677,482
Less: Amount shown in Current Liabilities	107,943	104,361
	501,577	573,121

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
RBS	Standard Security over 89 properties	0.78%		2036 Variable
RBS	Standard Security over 98 properties	1.64%		2036 Fixed
RBS	Standard Security over 98 properties	4.99%		2036 Variable
RBS	Standard Security over 49 properties	0.78%		2036 Variable
RBS	Standard Security over 110 properties	0.78%		2040 Variable

All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 3.582% (2015 - 2.635%).

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to net cash inflow from operating activities

	2016 £	2015 £
Operating Surplus	832,979	880,686
Depreciation	953,350	983,238
Amortisation of Capital Grants	(624,525)	(712,621)
Change in debtors	(12,884)	(32,653)
Change in creditors	(196,514)	148,955
Gain on sale of fixed assets	(1,315)	-
Unwinding of Discount on Pension Liability	(38,038)	(30,339)
Share Capital Written Off	(36)	(27)
Net Cash Inflow from Operating Activities	913,017	1,237,239

18. DEFERRED INCOME

	2016 £	2015 £
<i>Social Housing Grants</i>		
Balance as at 1st April 2015	19,294,164	20,052,655
Released / Repaid as the result of property disposal	(145,921)	(58,708)
Amortisation in Year	(612,215)	(699,783)
Balance as at 31st March 2016	18,536,028	19,294,164
<i>Other Grants</i>		
Balance as at 1st April 2015	362,960	375,938
Released / Repaid as the result of property disposal	(1,743)	(140)
Amortisation in Year	(12,310)	(12,838)
Balance as at 31st March 2016	348,907	362,960
Total	18,884,935	19,657,124

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

	2016 £	2015 £
Amounts due within one year	624,525	712,621
Amounts due in one year or more	18,260,410	18,944,503
	18,884,935	19,657,124

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	132
Issued in year	5
Cancelled in year	(36)
At 31st March 2016	<u>101</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2016 No.	2015 No.
General Needs - New Build	580	581
General Needs - Rehabilitation	159	161
Shared Ownership	12	15
	<u>751</u>	<u>757</u>

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

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

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

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

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

Rent Received from Tenants on the Committee	£ 27,636
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At the year end total rent arrears owed by the tenant members of the Committee were £1,097.

22. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 99 High Street, Lanark, ML11 7LN.

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

23. GOVERNING BODY MEMBER EMOLUMENTS

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last provisional valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £105,176 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £609,720 (2015 - £677,332). This was calculated by reference to the terms of the provisional valuation and funding plan and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 3.582% (2015: 2.635%).

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. TRANSITION TO THE FINANCIAL REPORTING STANDARD

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

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

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

		Reconciliation of Capital & Reserves					
		At 31 March 2015			At 31 March 2014		
	Note	As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated
		£	£	£	£	£	£
Non Current Assets	(i)	10,370,498	20,572,559	30,943,057	10,248,835	21,221,180	31,470,015
Current Assets		3,855,604	2	3,855,606	3,337,021	-	3,337,021
Current Liabilities	(ii)	(698,125)	(119,476)	(817,601)	(478,997)	(113,695)	(592,692)
Non Current Liabilities	(ii)	(4,609,324)	(573,121)	(5,182,445)	(4,808,860)	(645,936)	(5,454,796)
Deferred Income	(i)	-	(19,657,124)	(19,657,124)	-	(20,428,593)	(20,428,593)
		8,918,653	222,840	9,141,493	8,297,999	32,956	8,330,955
Capital & Reserves		(8,918,653)	(222,840)	(9,141,493)	(8,297,999)	(32,956)	(8,330,955)

		Reconciliation of Retained Surpluses for the Year		
		Year Ended 31 March 2015		
	Note	As previously Stated	Effect of Transition	As Restated
		£	£	£
Revenue	(i)	2,848,442	712,621	3,561,063
Operating Costs	(i) & (ii)	(2,177,023)	(503,354)	(2,680,377)
Other Income	(i)	69,349	10,802	80,151
Interest Receivable		8,679	-	8,679
Interest Payable		(128,771)	-	(128,771)
Other Finance Income / Costs (iii)		-	(30,339)	(30,339)
		620,676	189,730	810,406
Surplus		620,676	189,730	810,406

Notes to the Reconciliations

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

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

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