

# **Forth Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2016**

**Registered Housing Association No. HAL 110**

**FCA Reference No. 2268 RS**

**Scottish Charity No. SC 003550**

# FORTH HOUSING ASSOCIATION LIMITED

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# FORTH HOUSING ASSOCIATION LIMITED

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

### MANAGEMENT COMMITTEE

Margaret Turner	Chairperson
Gordon Mason	Secretary
Ian McLean	Vice Chairperson
David Cumming	Treasurer
Linda Mason	
John Fyfe	
Gerry McLaughlan	
Patrick Heneghan	
Audrey Anderson	
Neil Macleod	
Robert Buchanan	
Cllr Violet Weir	Stirling Council Attendee
John Paterson	From: September 2015
Clark Davidson	Resigned: January 2016
Colleen Sharp	Co-opted from February 2016

### EXECUTIVE OFFICERS

John Cameron	Director
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### REGISTERED OFFICE

4th Floor Wallace House  
17-21 Maxwell Place  
Stirling  
FK8 1JU

### AUDITOR

French Duncan LLP  
Chartered Accountants  
133 Finnieston Street  
Glasgow  
G3 8HB

### INTERNAL AUDITOR

TIAA  
Conference House  
152 Morrison Street  
The Exchange  
Edinburgh  
EH3 9EB

### BANKERS

Clydesdale Bank plc  
Suite 2  
Ochill House  
Springkerse Business Park  
Stirling

### SOLICITORS

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

### FINANCE AGENTS

FMD Financial Services Limited  
KCEDG Commercial Centre  
Unit 29, Ladyloan Place  
Glasgow  
G15 8LB

# FORTH HOUSING ASSOCIATION LIMITED

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## 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.2268 RS. The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC 003550.

### Principal Activities

The Association is a Registered Scottish Charity and provides relief to those in need by reason of age, ill health (whether related to mental or physical health), disability (whether due to mental or physical health issues or learning disabilities), financial hardship or other disadvantage, both to individual persons or to a group of persons with similar needs and issues by;

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

### Review of Business

An updated Internal Management Plan was adopted with effect from 1 April 2015. This plan outlines the strategic and operational ambitions of the Association and outlined SMART objectives and targets. These formed the basis for monitoring and reporting during the period.

The Association's financial performance remains subject to close scrutiny by the Management Committee on a quarterly basis and before any major capital expenditure, through new housing development, is undertaken.

The organisation has the use of modern office facilities with a full suite of modern IT Facilities. These are well suited to current work practices and have been secured on long lease with competitive rental.

Strategic co-operation with Stirling Council and Raploch Urban Regeneration Company remain a priority for the Association. During the year work began to build 22 new homes with grant assistance. Agreement was also reached regarding Strategic Housing Objectives for the next 5 year period and involves a programme of a further 107 homes over the period.

The Association continues to have a low level of engagement with the Scottish Housing Regulator, which reflects the good performance against KPI's

Collaboration with Rural Stirling and Ochil View Housing Associations continues via the Strath For Housing Alliance. This is a non constituted collaboration through which the three organisations are progressing towards closer working relationships and seeking to identify service improvements and/or economies of operation which can be achieved without losing local autonomy. Specific collaborations throughout the year included shared procurement of painter work services and kitchen replacements along with comprehensive benchmarking of costs and performance.

# FORTH HOUSING ASSOCIATION LIMITED

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

### Review of Business (Contd.)

External consultants continue to be utilised as required, to providing specialist advice and assistance to the Management Committee.

### Future Developments

The Associations Management Committee are committed to ongoing developments of new homes provided that grant funding remains available at an appropriate level. Long term financial projections indicate that the proposed development programme outlined above can be procured without the Association requiring to secure any further long term loans. In addition projections indicate that the Association should be able to restrict future rent increases broadly in line with inflation.

Whilst the primary focus of the Association remains the provision of new build housing and quality services for our tenants, the Association will continue to seek opportunities to develop additional services which will benefit our existing and future tenants. It is envisaged that this activity will involve the further development of partnership approaches and / or the securing of additional grant funding.

### Changes in fixed assets

Details of fixed assets are set out in Note 11.

# FORTH HOUSING ASSOCIATION LIMITED

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## 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 towards the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

# FORTH HOUSING ASSOCIATION LIMITED

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## 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 no charitable donations. (2015 £Nil).

### Auditors

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

### By order of the Management Committee

### GORDON MASON

Secretary  
29 August 2016

# FORTH HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 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 5 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 .

### FRENCH DUNCAN LLP

Chartered Accountants  
Statutory Auditor  
133 Finnieston Street  
GLASGOW  
G3 8HB

29 August 2016

We have audited the financial statements of Forth 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  
FORTH HOUSING ASSOCIATION LIMITED**

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**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.

**FRENCH DUNCAN LLP**

Chartered Accountants  
Statutory Auditor  
133 Finnieston Street  
GLASGOW  
G3 8HB

29 August 2016

# FORTH HOUSING ASSOCIATION LIMITED

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

	Notes	2016	Restated
		£	2015
		£	£
<b>REVENUE</b>	2.	2,971,146	2,835,668
Operating Costs	2.	(1,945,783)	(1,857,917)
<b>OPERATING SURPLUS</b>	8.	1,025,363	977,751
Interest Receivable and Other Income		14,107	26,083
Interest Payable and Similar Charges	7.	(205,898)	(211,226)
Other Finance Charges	10.	(16,639)	(98,000)
		(208,430)	(283,143)
<b>SURPLUS FOR YEAR</b>		816,933	694,608
Other Comprehensive Income		-	-
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		816,933	694,608

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 13 to 27 form part of these financial statements.

# FORTH HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	Notes	2016	Restated
		£	2015
		£	£
<b>NON-CURRENT ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	28,194,065	26,697,854
Other Non Current Assets	11.(b)	23,146	26,378
		<u>28,217,211</u>	<u>26,724,232</u>
<b>CURRENT ASSETS</b>			
Receivables	14.	100,816	144,148
Cash at bank and in hand		2,722,673	2,335,365
		<u>2,823,489</u>	<u>2,479,513</u>
<b>CREDITORS: Amounts falling due within one year</b>	15.	<u>(1,346,450)</u>	<u>(1,235,753)</u>
<b>NET CURRENT ASSETS</b>		<u>1,477,039</u>	<u>1,243,760</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>29,694,250</u>	<u>27,967,992</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	<u>(15,371,209)</u>	<u>(16,174,026)</u>
<b>DEFERRED INCOME</b>			
Social Housing Grants	18.	(3,856,691)	(2,144,548)
<b>NET ASSETS</b>		<u>10,466,350</u>	<u>9,649,418</u>
<b>EQUITY</b>			
Share Capital	19.	66	67
Revenue Reserves		10,466,284	9,649,351
		<u>10,466,350</u>	<u>9,649,418</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 29 August 2016.

Margaret Turner  
Chairperson

David Cumming  
Treasurer

Gordon Mason  
Secretary

The notes on pages 13 to 27 form part of these financial statements.

# FORTH HOUSING ASSOCIATION LIMITED

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

	Notes	2016	Restated
		£	2015
		£	£
<b>Net Cash Inflow from Operating Activities</b>	17.	1,543,195	1,390,117
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(2,112,272)	(3,453,973)	
Purchase of Other Fixed Assets	(13,518)	-	
Social Housing Grant Received	1,810,051	1,692,997	
<b>Net Cash Outflow from Investing Activities</b>		(315,739)	(1,760,976)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	14,107	26,083	
Interest Paid on Loans	(205,898)	(211,226)	
Loan Principal Repayments	(648,361)	(642,095)	
Share Capital Issued	4	1	
<b>Net Cash Outflow from Financing</b>		(840,148)	(827,237)
<b>Increase / (decrease) in Cash</b>		387,308	(1,198,096)
<b>Opening Cash &amp; Cash Equivalents</b>		2,335,365	3,533,461
<b>Closing Cash &amp; Cash Equivalents</b>		2,722,673	2,335,365
<b>Cash and Cash equivalents as at 31 March 2016.</b>			
Bank funds		2,722,413	2,335,197
Cash		260	168
		2,722,673	2,335,365

The notes on pages 13 to 27 form part of these financial statements.

# FORTH HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2014 (as restated)</b>	71	8,954,743	8,954,814
Issue of Shares	1		1
Cancellation of Shares	(5)		(5)
Surplus for Year		694,608	694,608
			-
<b>Balance as at 31st March 2015 (as restated)</b>	<b>67</b>	<b>9,649,351</b>	<b>9,649,418</b>
<b>Balance as at 1st April 2015 (as restated)</b>	67	9,649,351	9,649,418
Issue of Shares	4	-	4
Cancellation of Shares	(5)	-	(5)
Surplus for Year		816,933	816,933
<b>Balance as at 31st March 2016</b>	<b>66</b>	<b>10,466,284</b>	<b>10,466,350</b>

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

# FORTH HOUSING ASSOCIATION LIMITED

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## 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. Information on the impact of transition to FRS 102 is detailed in note 25.

##### Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2013, using the deemed cost basis. They also comply with the Determination of Accounting Requirements - April 2012. A summary of the more important accounting policies is set out below.

##### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised when 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 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Kitchens	17 - 20 Years
Bathrooms	30 Years
Boilers	12 - 15 Years
Radiators	30 Years
Windows	30 Years
External Doors	30 Years
Rewiring	30 Years
Structure	83 - 100 Years

# FORTH 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:-

Furniture and Fittings	- 15% Reducing Balance
Computer Equipment	- 25% Straight Line
Office Equipment	- 15% Reducing Balance

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 Forth Housing Association Limited'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 a percentage basis split across the number of properties the Association owns.

# FORTH HOUSING ASSOCIATION LIMITED

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## 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.

#### **Development Interest**

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

#### **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.

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

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

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

# FORTH 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.	2,963,626	1,901,821	1,061,805	2,785,169	1,816,412	968,757
Other Activities	4.	7,520	43,962	(36,442)	50,499	41,505	8,994
<b>Total</b>		<b>2,971,146</b>	<b>1,945,783</b>	<b>1,025,363</b>	<b>2,835,668</b>	<b>1,857,917</b>	<b>977,751</b>

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

	General Needs Housing £	Shared ownership £	2016 Total £	Restated 2015 Total £
<b>Revenue from Lettings</b>				
Rent Receivable Net of Service Charges	2,883,385	29,941	2,913,326	2,751,779
<b>Gross income from rent and service charges</b>	2,883,385	29,941	2,913,326	2,751,779
Less: Rent losses from voids	1,984	-	1,984	2,360
<b>Net Rents Receivable</b>	2,881,401	29,941	2,911,342	2,749,419
Grants released from deferred income	52,284	-	52,284	35,750
<b>Total turnover from affordable letting activities</b>	2,933,685	29,941	2,963,626	2,785,169
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	794,165	8,247	802,412	789,815
Service Costs	93,805	-	93,805	76,450
Planned and cyclical maintenance, including major repairs	103,201	-	103,201	97,050
Reactive maintenance costs	277,985	-	277,985	264,068
Bad Debts - rents and service charges	8,357	-	8,357	4,579
Depreciation of affordable let properties	610,296	5,765	616,061	584,450
<b>Operating costs of affordable letting activities</b>	1,887,809	14,012	1,901,821	1,816,412
<b>Operating surplus on affordable letting activities</b>	1,045,876	15,929	1,061,805	968,757
<b>2015</b>	949,120	19,637	968,757	

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.

# FORTH HOUSING ASSOCIATION LIMITED

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2016	Operating Surplus / (Deficit) 2015
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	41,930	(41,930)	(36,491)
Factoring	-	-	-	5,705	5,705	-	2,032	3,673	3,680
Other activities	-	-	-	1,815	1,815	-	-	1,815	41,805
<b>Total From Other Activities</b>	-	-	-	7,520	7,520	-	43,962	(36,442)	8,994
<b>2015</b>	-	-	-	50,499	50,499	-	41,505	8,994	

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.

# FORTH 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.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Compensation payable to Officers for loss of Office

No Pension contributions were made to Officers receiving greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Remuneration paid to key management personnel

Consideration paid for services of key management personnel paid to third parties

**2016**                      **2015**

£                                      £

-                                      -

-                                      -

-                                      -

59,927                      58,130

148,983                      154,455

-                                      -

#### 6. EMPLOYEE INFORMATION

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

The average total number of Employees employed during the year was

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

**2016**                      **2015**

**No.**                                      **No.**

14                                      14

14                                      14

£                                      £

467,150                      443,570

48,538                      49,105

32,116                      31,715

547,804                      524,390

# FORTH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	205,898	211,226
	<u>205,898</u>	<u>211,226</u>

## 8. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	632,811	599,211
Auditors' Remuneration - Audit Services	6,426	7,511
	<u>639,237</u>	<u>606,722</u>

## 9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

## 10. OTHER FINANCE INCOME / CHARGES

	2016	2015
	£	£
Unwinding of Discounted Liabilities	16,639	98,000

**11. NON-CURRENT ASSETS**

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2015	26,606,508	235,153	412,908	27,254,569
Additions	234,548	1,877,724	-	2,112,272
Schemes Completed	1,732,230	(1,613,450)	(118,780)	-
As at 31st March 2016	<u>28,573,286</u>	<u>499,427</u>	<u>294,128</u>	<u>29,366,841</u>
<b>DEPRECIATION</b>				
As at 1st April 2015	548,457	-	8,258	556,715
Charge for Year	610,296	-	5,765	616,061
Disposals	2,376	-	(2,376)	-
As at 31st March 2016	<u>1,161,129</u>	<u>-</u>	<u>11,647</u>	<u>1,172,776</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2016	<u>27,412,157</u>	<u>499,427</u>	<u>282,481</u>	<u>28,194,065</u>
As at 31st March 2015	<u>26,058,051</u>	<u>235,153</u>	<u>404,650</u>	<u>26,697,854</u>

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £234,548 (2015 £304,597)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £627,734. The amount capitalised is £234,548, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £234,548 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £27,384,422 (2015 - £26,030,316).

# FORTH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment £	Furniture & Equipment £	Total £
<b>COST</b>			
As at 1st April 2015	40,467	116,686	157,153
Additions	13,518	-	13,518
As at 31st March 2016	53,985	116,686	170,671
<b>AGGREGATE DEPRECIATION</b>			
As at 1st April 2015	39,766	91,009	130,775
Charge for year	2,449	14,301	16,750
As at 31st March 2016	42,215	105,310	147,525
<b>NET BOOK VALUE</b>			
As at 31st March 2016	11,770	11,376	23,146
As at 31st March 2015	701	25,677	26,378

#### 12. CAPITAL COMMITMENTS

	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	2,009,923	1,359,882

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

#### 13. COMMITMENTS UNDER OPERATING LEASES

	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	-	-
Later than one year and not later than five years	2,722	3,629
Later than five years	-	-

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

# FORTH 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	65,088	66,669
<b>Less:</b> Provision for Doubtful Debts	<u>(15,887)</u>	<u>(15,887)</u>
	49,201	50,782
Social Housing Grant Receivable	8,562	54,186
Other Receivables	<u>43,053</u>	<u>39,180</u>
	<u>100,816</u>	<u>144,148</u>

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

	2016 £	2015 £
Housing Loans	552,951	458,732
Trade Payables	280,147	167,856
Rent in Advance	105,546	112,674
Other Taxation and Social Security	11,610	23,955
Other Payables	78,798	93,953
Liability for Past Service Contributions	76,878	74,639
Accruals and Deferred Income	<u>240,520</u>	<u>303,944</u>
	<u>1,346,450</u>	<u>1,235,753</u>

#### 16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Liability for Past Service Contributions	831,122	891,361
Housing Loans	<u>14,540,087</u>	<u>15,282,665</u>
	<u>15,371,209</u>	<u>16,174,026</u>
<i>Housing Loans</i>		
Amounts due within one year	552,951	458,732
Amounts due in one year or more but less than two years	549,298	447,660
Amounts due in two years or more but less than five years	1,593,044	1,317,684
Amounts due in more than five years	<u>12,397,745</u>	<u>13,517,321</u>
	15,093,038	15,741,397
Less: Amount shown in Current Liabilities	<u>552,951</u>	<u>458,732</u>
	<u>14,540,087</u>	<u>15,282,665</u>

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

Loans are secured by specific charges on the Association's properties. The Association has one fixed interest loan at 3.21%, with all other loans operating on a variable rate of interest. The variable interest loans are linked to either Base Rate or 3 month LIBOR and the margins range between 0.26% and 0.56%.

#### *Liability for Past Service Contributions*

Amounts due within one year	76,878	74,639
Amounts due in one year or more but less than two years	77,412	75,209
Amounts due in two years or more but less than five years	235,474	229,086
Amounts due in more than five years	<u>518,236</u>	<u>587,066</u>
	<u>908,000</u>	<u>966,000</u>

# FORTH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to Balance as at 31st March 2016</i>	<b>2016</b> £	<b>2015</b> £
Operating Surplus	1,025,363	977,751
Depreciation	632,811	599,211
Amortisation of Capital Grants	(52,284)	(35,750)
Change in debtors	(2,290)	255,719
Change in creditors	(43,761)	(308,809)
Unwinding of Discount on Pension Liability	(16,639)	(98,000)
Share Capital Written Off	(5)	(5)
Balance as at 31st March 2016	<u>1,543,195</u>	<u>1,390,117</u>

## 18. DEFERRED INCOME

<i>Social Housing Grants</i>	<b>2016</b> £	<b>2015</b> £
Balance as at 1st April 2015	2,144,548	765,516
Additions in year	1,764,427	1,414,782
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(52,284)	(35,750)
Balance as at 31st March 2016	<u>3,856,691</u>	<u>2,144,548</u>

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

	<b>2,016</b> £	<b>2,015</b> £
Amounts due within one year	52,284	35,750
Amounts due in one year or more	3,804,407	2,108,798
	<u>3,856,691</u>	<u>2,144,548</u>

# FORTH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1st April 2015	67
Issued in year	4
Cancelled in year	(5)
	<hr/>
At 31st March 2016	66

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions upon 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:-	<b>2016 No.</b>	<b>2015 No.</b>
General Needs - New Build	758	737
Shared Ownership	15	20
	<hr/>	<hr/>
	773	757

# FORTH 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	8,046
Factoring Charges received from owners on the Committee	Nil

At the year end total rent arrears owed by the tenant members of the Committee were £ Nil

At the year end total factoring arrears owed by the factored owners of the Committee were £ Nil

#### 22. DETAILS OF ASSOCIATION

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

The Association's principle place of business is 4th Floor Wallace House, 17-21 Maxwell Place, Stirling.

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

#### 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.

# FORTH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

The trustees of the scheme commission an actuarial valuation every three years and a valuation was carried out as at 30 September 2015. This valuation cannot be incorporated into these accounts as the 2015 valuation has yet to be formally signed off by the trustees. The provisional figures show a reduction in the scheme deficit from £304m to £160m. The impact on the Association's financial statements if this is approved would be to reduce the current liability from £908,000 to £462,716. If approved this reduced liability will be reflected in the 2017 Accounts

Based on the provisional 2015 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 annual payments of £79,185 from 1 April 2017. Payments are expected to increase by 3% per annum.

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 employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers 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 £2,936,587 (2015 - £2,642,998). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 4%.

The Association made payments totalling £77,203 (2015: £75,029) to the pension scheme during the year.

# FORTH 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 Association has taken advantage of deemed cost transitional relief per FRS102 35.10(c). It has adopted a fair value for its housing property assets at deemed cost at 31 March 2014 and any government grants associated with these properties have been accounted using the performance model.

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)	24,739,733	1,984,499	26,724,232	23,478,810	447,948	23,926,759
Current Assets	2,479,513	-	2,479,513	4,090,654	-	4,090,654
Current Liabilities (ii)	(1,161,115)	(74,638)	(1,235,753)	(1,451,567)	(71,999)	(1,523,566)
Non Current Liabilities (ii)	(15,282,665)	(891,361)	(16,174,026)	(15,905,516)	(868,000)	(16,773,516)
Deferred Income (i)	-	(2,144,548)	(2,144,548)	-	(765,516)	(765,516)
	10,775,466	(1,126,048)	9,649,418	10,212,381	(1,257,566)	8,954,815
Capital & Reserves	10,775,466	(1,126,048)	9,649,418	10,212,381	(1,257,566)	8,954,815

Reconciliation of Retained Surpluses for the Year			
Year Ended 31 March 2015			
Note	As previously Stated £	Effect of Transition £	As Restated £
Revenue (i)		2,799,918	2,835,668
Operating Costs (i) & (ii)		(1,734,117)	(1,857,917)
Interest Receivable		26,083	26,083
Interest Payable		(211,226)	(211,226)
Other Finance Income / Costs		-	(98,000)
		880,658	694,608
Surplus		880,658	694,608

#### 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