

# **Cadder Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No.HCB270**

**FCA Reference No. 2436R(S)**

**Scottish Charity No. SC036455**

# CADDER HOUSING ASSOCIATION LIMITED

## CONTENTS

|  | <b>Page</b> |
|--|-------------|
| MEMBERS OF THE MANAGEMENT COMMITTEE<br>EXECUTIVES AND ADVISERS | 1           |
| REPORT OF THE MANAGEMENT COMMITTEE                             | 2           |
| REPORT BY THE AUDITORS ON<br>CORPORATE GOVERNANCE MATTERS      | 6           |
| REPORT OF THE AUDITORS   | 7           |
| STATEMENT OF COMPREHENSIVE INCOME                              | 9           |
| STATEMENT OF FINANCIAL POSITION                                | 10          |
| STATEMENT OF CASHFLOWS   | 11          |
| STATEMENT OF CHANGES IN EQUITY                                 | 12          |
| NOTES TO THE FINANCIAL STATEMENTS                              | 13          |

# CADDER HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### MANAGEMENT COMMITTEE

|                        |                      |
|------------------------|----------------------|
| Linda Brown            | Chairperson          |
| Zafar Ahmed            |                      |
| Elizabeth Doherty      |                      |
| Ruby Hunter            | Vice Chairperson     |
| Baillie Mohammed Razaq |                      |
| Helen Macnab           |                      |
| Alison Vass            |                      |
| Fiona Thomson          |                      |
| Jamila Flynn           | Appointed 30/03/2017 |
| Valerie Davies         | Appointed 30/03/2017 |
| May Gahagan            | Resigned 27/10/2016  |
| Sheriff Popoola        | Resigned 20/05/2016  |

### EXECUTIVE OFFICERS

|               |                                      |
|---------------|--------------------------------------|
| Kenny Mollins | Director                             |
| John McShane  | Housing Services Manager             |
| Anne Smith    | Finance & Corporate Services Manager |
| Paul King     | Technical Services Manager           |

### REGISTERED OFFICE

20 Fara Street  
Glasgow  
G23 5AE

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

TIAA Ltd  
53-55 Gosport Business Centre  
Aerodrome Road  
Gosport

### BANKERS

Royal Bank of Scotland  
129 Kirkintilloch Road  
Bishopbriggs  
G64 2LR

### SOLICITORS

TC Young  
7 West George Street  
Glasgow  
G20 0EQ

### SOLICITORS

Harper Macleod  
45 Gordon Street  
Glasgow  
G1 3PE

# CADDER HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2017.

### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2436R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036455.

### Principal Activities

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

### Review of Business and Future Developments

Cadder Housing Association (Association) reports a surplus for the year of £784627 (2016-£679,924).

The Association owns 641 properties (2016 – 647) and provides a factoring management service to 408 owner-occupiers (2016 - 402). There were 6 Right to Buy application processed prior to deadline for the end of Right to Buy of social housing on 1 August 2016.

The Association is governed by a Management Committee, where they lead, manage and direct the organisation to meet the needs and expectations of our tenants and other customer and to achieve our strategic aims. The Management Committee has improved its capability to ensure there is effective governance through recruitment of new members with particular skills and a programme of training and development. The Management Committee participated in the pilot Governance accreditation through Investors in People.

Through the continuous improvement in the governance of the Association, the Scottish Housing Regulator downgraded our engagement level from 'medium' to 'low' at 31 March 2017. The Association had elevated to the medium level due to increased risks in our work i.e. the new community centre and the impending new housing development at Tresta Road. The Association has provided the Regulator with reassurance of our governance arrangements and management of these risks, which has reduced the regulatory engagement level.

The Association prides itself in its high quality management and maintenance of its housing stock and the Cadder area, whilst aiming to ensure rents and service charges are affordable to our tenants and owner-occupiers, respectively and cover our costs.

The Association has performed well in the year, particularly in maximising income through mitigating rent loss from our empty houses and arrears levels from tenants and owner-occupiers. The Association's work in arrears management was supported by the Financial Inclusion Team, where welfare rights staff helped residents maximise their entitlement to personal and housing benefit. There has also been effective action taken against tenants in respect of rent arrears and owner-occupiers for arrears with management fees and improvement works, where there is persistent non-payment.

There has been an improvement in our repairs service, in particular improved response times, quality of work through repairs being completed right first time and customer satisfaction. The Association now undertakes 80% of reactive, cyclical and planned major improvement works through its in-house trade team. A best value assessment in the year showed the Trade team's costs in each category to be more competitive compared to external contractors and other housing associations' repair costs.

A major achievement of our Trade team has been the installation of new bathrooms and kitchens to our tenants' homes. In the year, there were 259 installations and the Association is on track to complete the bathroom and kitchen contract to all tenants' homes by March 2019 and March 2022, respectively. In April 2017 the Trade Team will achieve a significant milestone with the 500<sup>th</sup> installation.

# CADDER HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

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### Review of Business and Future Developments (Contd.)

The Association moved into the former community centre as its new office and this has provided an improved working environment for staff. The improved communication between service departments has made a significant improvement to our service and performance in the year.

A key aim of the Association is to pursue development and regeneration opportunities aimed at improving the Cadder area. There has been significant progress in key projects to achieve this aim, specifically:

➤ Cadder Community Centre - The new state of the art community centre was built at a cost of £3.2million and opened in June 2016. The new centre provides space for services, activities and events to achieve the themed uses of the centre. These themed uses were developed through consultation with local residents and are: youth and community facilities, learning and development, recreation and leisure, functions and events, and a community café. The Association has made good progress in developing services and activities in the centre.

The Association would like to thank the Big Lottery, Scottish Government, Glasgow City Council, Climate Challenge Fund who were the main funders for the new community centre development. This funding complemented the Association's contribution of circa £600,000 to deliver the state of the art community facility in Cadder;

➤ New Build Housing at Tresta Road – The Association has made excellent progress in developing the proposal for the development of the former St Agnes School site. McTaggart Construction are scheduled to commence the development in July 2017, which will see 50 new homes for rent. The development will cost £5.7 million and £3.6million in housing association grant has been secured from Glasgow City Council to facilitate this development.

Our key challenges and opportunities in the coming year are as listed:

➤ Engagement with our Customers – The Association aim to improve our engagement with our customers through our work and activities, also programmed home visits and a satisfaction survey;

➤ Welfare Reform – Support our tenants and other customers to mitigate the impact of the UK Government's welfare reforms. We aim to maximise grant funding to develop our Financial Inclusion Team;

➤ Procurement – Improve our procurement performance through tendering of works, service and supply contracts. A key objective is to become an Associate member of Scotland Excel and improve our procurement capability, as well as access their framework agreements;

➤ Review of the Staff Structure – The Association commenced a review of the staff structure with the aim to ensure there is a 'lean, efficient and effective' structure to meet our strategic aims. The Association aims to finalise and implement the new staff structure in the autumn 2017;

➤ Maintaining our Tenants' Homes – We plan to install a further 264 kitchens and bathrooms to our tenants' homes in the year through the Trade Team;

➤ Development & Regeneration – Our aim is to publish our regeneration plans aimed at continuing our new build development programme, development options for the shop units, traffic management arrangements, etc;

➤ Energy Efficiency – The Association is 97% compliant with the Scottish Government's new energy standards for the social housing sector, Energy Efficiency in Scotland's Social Housing (ESSH), which has a deadline of March 2020. The Association aims to achieve ESSH by March 2018; and

➤ Energy Improvements – The Association aims to work in partnership with Glasgow City Council to deliver energy improvements to unimproved cottage properties owned by owner-occupiers. This will be achieved through the Scottish Government's Home Energy Efficiency Project in Scotland (H.E.E.P.S) funding to contribute towards the cost of the insulated render system and associated works.

# CADDER HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

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

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

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

# CADDER HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### 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 the 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 2017. 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 £425 (2016: £800).

### 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

### ELIZABETH DOHERTY

Secretary  
29 June 2017

# CADDER HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF CADDER 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 contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator, in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
29 June 2017







We have audited the financial statements of Cadder Housing Association Limited for the year ended 31st March 2017 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 standards 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 Financial Reporting Council's (FRC) 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 for 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 2017 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  
CADDER 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.

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
29 June 2017



# CADDER HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

|  | Notes | £         | 2017<br>£      | £         | 2016<br>£      |
|--|-------|-----------|----------------|-----------|----------------|
| <b>REVENUE</b>                                 | 2.    |           | 3,132,996      |           | 2,962,751      |
| Operating Costs                                | 2.    |           | (2,233,747)    |           | (2,069,213)    |
| <b>OPERATING SURPLUS</b>                       |       |           | 899,249        |           | 893,538        |
| Gain / (Loss) On Sale Of Housing Stock         | 7.    | 94,710    |                | (2,453)   |                |
| Interest Receivable and Other Income           |       | 2,782     |                | 4,979     |                |
| Interest Payable and Similar Charges           | 8.    | (193,072) |                | (187,758) |                |
| Other Finance Charges                          | 10.   | (19,042)  |                | (28,382)  |                |
|  |       |           | (114,622)      |           | (213,614)      |
| Surplus on ordinary activities before taxation |       |           | 784,627        |           | 679,924        |
| <b>SURPLUS FOR YEAR</b>                        | 9.    |           | <b>784,627</b> |           | <b>679,924</b> |
| Other Comprehensive Income                     |       |           | -              |           | -              |
| <b>TOTAL COMPREHENSIVE INCOME</b>              |       |           | <b>784,627</b> |           | <b>679,924</b> |

The notes on pages 13 to 25 form part of these financial statements.

# CADDER HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

|  | Notes  | 2017                    | 2016                    |
|--|--------|-------------------------|-------------------------|
|  |        | £                       | £                       |
| <b>NON-CURRENT ASSETS</b>                                      |        |                         |                         |
| Housing Properties - Depreciated Cost                          | 11.(a) | 11,016,684              | 10,765,652              |
| Other Non Current Assets                                       | 11.(b) | 3,714,105               | 3,532,391               |
|  |        | <u>14,730,789</u>       | <u>14,298,043</u>       |
| <b>CURRENT ASSETS</b>  |        |                         |                         |
| Receivables  | 14.    | 122,206                 | 150,084                 |
| Inventories  |        | 61,844                  | 44,374                  |
| Investments  | 24.    | 1,500,000               | 2,000,000               |
| Cash at bank and in hand                                       |        | 698,251                 | 822,011                 |
|  |        | <u>2,382,301</u>        | <u>3,016,469</u>        |
| <b>CREDITORS:</b> Amounts falling due within one year          | 15.    | (1,098,561)             | (1,355,339)             |
|  |        | <u>1,283,740</u>        | <u>1,661,130</u>        |
| <b>NET CURRENT ASSETS</b>                                      |        |                         |                         |
|  |        | <u>16,014,529</u>       | <u>15,959,173</u>       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |        |                         |                         |
| <b>CREDITORS:</b> Amounts falling due after more than one year | 16     | (4,965,888)             | (5,610,533)             |
|  |        | <u>(5,096,869)</u>      | <u>(5,181,504)</u>      |
| <b>DEFERRED INCOME</b>   |        |                         |                         |
| Social Housing Grants  | 18.    | (2,632,004)             | (2,566,336)             |
| Other Grants   | 18.    | (2,464,865)             | (2,615,168)             |
|  |        | <u>(5,096,869)</u>      | <u>(5,181,504)</u>      |
| <b>NET ASSETS</b>  |        | <u><u>5,951,772</u></u> | <u><u>5,167,136</u></u> |
| <b>EQUITY</b>  |        |                         |                         |
| Share Capital  | 19.    | 145                     | 136                     |
| Revenue Reserves   |        | 5,951,627               | 5,167,000               |
|  |        | <u><u>5,951,772</u></u> | <u><u>5,167,136</u></u> |

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 29 June 2017.

*Chairperson*

*Director*

*Secretary*

The notes on pages 13 to 25 form part of these financial statements.

# CADDER HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

|   | Notes     | 2017           | 2016           |
|---|-----------|----------------|----------------|
|   |           | £              | £              |
| <b>Net Cash Inflow from Operating Activities</b>      | 17.       | 956,921        | 1,650,367      |
| <b>Investing Activities</b>                           |           |                |                |
| Acquisition and Construction of Properties            | (668,116) | (342,739)      |                |
| Purchase of Other Fixed Assets                        | (530,233) | (2,611,608)    |                |
| Social Housing Grant Received                         | 147,467   | -              |                |
| Other Grants Received                                 | -         | 2,039,198      |                |
| Changes on short term deposits with banks             | 500,000   | (1,000,000)    |                |
| Proceeds on Disposal of Properties                    | 175,498   | 13,326         |                |
| <b>Net Cash Outflow from Investing Activities</b>     |           | (375,384)      | (1,901,823)    |
| <b>Financing Activities</b>                           |           |                |                |
| Loan Advances Received                                | -         | 1,250,000      |                |
| Interest Received on Cash and Cash Equivalents        | 2,782     | 4,979          |                |
| Interest Paid on Loans                                | (193,072) | (187,758)      |                |
| Loan Principal Repayments                             | (515,016) | (452,379)      |                |
| Share Capital Issued                                  | 9         | 8              |                |
| <b>Net Cash (Outflow) / Inflow from Financing</b>     |           | (705,297)      | 614,850        |
| <b>(Decrease) / Increase in Cash</b>                  |           | (123,760)      | 363,394        |
| <b>Opening Cash &amp; Cash Equivalents</b>            |           | 822,011        | 458,617        |
| <b>Closing Cash &amp; Cash Equivalents</b>            |           | <b>698,251</b> | <b>822,011</b> |
| <b>Cash and Cash equivalents as at 31 March 2017.</b> |           |                |                |
| Cash  |           | 698,251        | 822,011        |
|   |           | <b>698,251</b> | <b>822,011</b> |

The notes on pages 13 to 25 form part of these financial statements.

# CADDER HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

|                                     | Share<br>Capital | Revenue<br>Reserve | Total            |
|-------------------------------------|------------------|--------------------|------------------|
|                                     | £                | £                  | £                |
| <b>Balance as at 1st April 2015</b> | 128              | 4,487,076          | 4,487,204        |
| Issue of Shares                     | 8                | -                  | 8                |
| Surplus for Year                    | -                | 679,924            | 679,924          |
| <b>Balance as at 31 March 2016</b>  | <b>136</b>       | <b>5,167,000</b>   | <b>5,167,136</b> |
| <b>Balance as at 1st April 2016</b> | 136              | 5,167,000          | 5,167,136        |
| Issue of Shares                     | 9                | -                  | 9                |
| Surplus for Year                    | -                | 784,627            | 784,627          |
| <b>Balance as at 31 March 2017</b>  | <b>145</b>       | <b>5,951,627</b>   | <b>5,951,772</b> |

The reserves opening balance at 1st January 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# CADDER HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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.

##### 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 2014 and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. 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 with expenditure as it 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 of the asset to which it relates.

##### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides 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 a 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.

| <b>Component</b> | <b>Useful Economic Life</b> |
|------------------|-----------------------------|
| Central Heating  | 15 Years                    |
| Electric Wiring  | 30 Years                    |
| Kitchens         | 15 Years                    |
| Bathrooms        | 30 Years                    |
| Windows          | 25 Years                    |
| Structure        | 50 Years                    |
| Insulation       | 30 Years                    |

# CADDER HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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 the expected economic useful lives of the assets at the following annual rates:-

|                             |                       |
|-----------------------------|-----------------------|
| Office Premises             | -2% Straight Line     |
| Furniture and Fittings      | -25% Reducing Balance |
| Motor Vehicles              | -25% Reducing Balance |
| Computer & Office Equipment | -33.3% Straight Line  |

The carrying value of non-current assets is 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 they relate.

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**

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

##### **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 Cadder Housing Association Limited 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, are disclosed below:

##### **a) 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.

##### **b) 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.

##### **c) 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 assessment.

##### **d) 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 1.06% (2015 - 2.64%) with this being based on a high quality corporate bond for a period similar to the 2016 valuation.



# CADDER HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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.

##### **Capitalisation Of Staff Costs**

Directly attributable staff costs relating to development activities are capitalised in line with the time spent on such activities.

##### **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) 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.

###### ***b) 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.

###### ***c) Financial instrument break clauses***

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.

###### ***d) Pension Liability***

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feel this is the best available estimate of the past service liability.

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

The Association classes all of its loans as basic financial instruments including agreements with break clauses. 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.

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|                               | Notes | 2017             |                         |  | 2016             |                         |  |
|-------------------------------|-------|------------------|-------------------------|--|------------------|-------------------------|--|
|                               |       | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus /<br>(Deficit)<br>£ | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus /<br>(Deficit)<br>£ |
| Affordable letting activities | 3.    | 2,881,188        | 1,856,474               | 1,024,714                                | 2,824,566        | 1,877,142               | 947,424                                  |
| Other Activities              | 4.    | 251,808          | 377,273                 | (125,465)                                | 138,185          | 192,071                 | (53,886)                                 |
| <b>Total</b>                  |       | <b>3,132,996</b> | <b>2,233,747</b>        | <b>899,249</b>                           | <b>2,962,751</b> | <b>2,069,213</b>        | <b>893,538</b>                           |

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

|   | General<br>Needs<br>Housing<br>£ | 2017<br>Total<br>£ | 2016<br>Total<br>£ |
|---|----------------------------------|--------------------|--------------------|
| <b>Revenue from Lettings</b>                              |                                  |                    |                    |
| Rent Receivable Net of Service Charges                    | 2,726,422                        | 2,726,422          | 2,557,719          |
| Service Charges   | 101                              | 101                | 119,918            |
| <b>Gross income from rent and service charges</b>         | <b>2,726,523</b>                 | <b>2,726,523</b>   | <b>2,677,637</b>   |
| <b>Less:</b> Rent losses from voids                       | 15,459                           | 15,459             | 21,166             |
| <b>Net Rents Receivable</b>                               | <b>2,711,064</b>                 | <b>2,711,064</b>   | <b>2,656,471</b>   |
| Grants released from deferred income                      | 81,797                           | 81,797             | 81,797             |
| Other revenue grants                                      | 88,327                           | 88,327             | 86,298             |
| <b>Total turnover from affordable letting activities</b>  | <b>2,881,188</b>                 | <b>2,881,188</b>   | <b>2,824,566</b>   |
| <b>Expenditure on affordable letting activities</b>       |                                  |                    |                    |
| Management and maintenance administration costs           | 847,925                          | 847,925            | 834,834            |
| Service Costs   | 154,643                          | 154,643            | 150,015            |
| Planned and cyclical maintenance, including major repairs | 107,418                          | 107,418            | 156,091            |
| Reactive maintenance costs                                | 291,897                          | 291,897            | 314,472            |
| Bad Debts - rents and service charges                     | 26,157                           | 26,157             | 13,510             |
| Depreciation of affordable let properties                 | 428,434                          | 428,434            | 408,220            |
| <b>Operating costs of affordable letting activities</b>   | <b>1,856,474</b>                 | <b>1,856,474</b>   | <b>1,877,142</b>   |
| <b>Operating surplus on affordable letting activities</b> | <b>1,024,714</b>                 | <b>1,024,714</b>   | <b>947,424</b>     |
| <b>2016</b>   | <b>947,424</b>                   |                    |                    |

# CADDER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|                                    | Grants<br>From<br>Scottish<br>Ministers | Other<br>Revenue<br>Grants | Supporting<br>People<br>Income | Other<br>Income | Total<br>Turnover | Operating<br>Costs<br>Bad Debts | Operating<br>Costs<br>Other | Operating<br>Surplus<br>/ (Deficit)<br>2017 | Operating<br>Surplus<br>/ (Deficit)<br>2016 |
|------------------------------------|---|----------------------------|--------------------------------|-----------------|-------------------|---------------------------------|-----------------------------|---|---|
|                                    | £                                       | £                          | £                              | £               | £                 | £                               | £                           | £   | £   |
| Wider Role Activities              | -                                       | -                          | -                              | -               | -                 | -                               | 22,055                      | (22,055)                                    | (25,451)                                    |
| Factoring                          | -                                       | -                          | -                              | 18,850          | 18,850            | -                               | 20,086                      | (1,236)                                     | (2,183)                                     |
| Support Activities                 | 31,441                                  | -                          | -                              | -               | 31,441            | -                               | 49,272                      | (17,831)                                    | 848   |
| Community Centre                   | 30,000                                  | 113,100                    | -                              | 58,417          | 201,517           | -                               | 222,738                     | (21,221)                                    | (27,100)                                    |
| Community Centre Depreciation      | -                                       | -                          | -                              | -               | -                 | -                               | 63,122                      | (63,122)                                    | -   |
| <b>Total From Other Activities</b> | <b>61,441</b>                           | <b>113,100</b>             | <b>-</b>                       | <b>77,267</b>   | <b>251,808</b>    | <b>-</b>                        | <b>377,273</b>              | <b>(125,465)</b>                            | <b>(53,886)</b>                             |
| <b>2016</b>                        | <b>81,217</b>                           | <b>35,458</b>              | <b>-</b>                       | <b>21,510</b>   | <b>138,185</b>    | <b>(201)</b>                    | <b>192,272</b>              | <b>(53,886)</b>                             |   |

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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.

|   | 2017    | 2016    |
|---|---------|---------|
|   | £       | £       |
| Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions) | 87,254  | 85,676  |
| Compensation payable to Officers for loss of Office   | -       | 5,898   |
| Pension contributions made on behalf on Officers with emoluments greater than £60,000                           | 8,009   | 7,930   |
| Emoluments payable to Director (excluding pension contributions)  | 87,254  | 85,676  |
| Total Emoluments paid to key management personnel   | 280,947 | 277,690 |

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 |
|--------------------|--------|--------|
| £80,001 to £90,000 | 1      | 1      |

#### 6. EMPLOYEE INFORMATION

|   | 2017      | 2016      |
|---|-----------|-----------|
|   | No.       | No.       |
| The average monthly number of full time equivalent persons employed during the year was | 44        | 42        |
| The average total number of Employees employed during the year was                      | 49        | 44        |
| Staff Costs were:   | £         | £         |
| Wages and Salaries  | 912,214   | 874,230   |
| Social Security Costs   | 83,178    | 79,636    |
| Other Pension Costs   | 66,156    | 64,245    |
| Temporary, Agency and Seconded Staff  | 130,709   | 104,437   |
|   | 1,192,257 | 1,122,548 |

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN / (LOSS) ON SALE OF HOUSING STOCK

|  | 2017    | 2016    |
|--|---------|---------|
|  | £       | £       |
| Sales Proceeds                         | 175,498 | 13,326  |
| Cost of Sales                          | 80,788  | 15,779  |
| Gain / (Loss) On Sale Of Housing Stock | 94,710  | (2,453) |

#### 8. INTEREST PAYABLE & SIMILAR CHARGES

|                            | 2017    | 2016    |
|----------------------------|---------|---------|
|                            | £       | £       |
| On Bank Loans & Overdrafts | 193,072 | 187,758 |

#### 9. SURPLUS FOR YEAR

|  | 2017    | 2016    |
|--|---------|---------|
|  | £       | £       |
| Surplus is stated after charging:-         |         |         |
| Depreciation - Tangible Owned Fixed Assets | 575,984 | 450,243 |
| Auditors' Remuneration - Audit Services    | 7,200   | 6,705   |
| Auditors' Remuneration - Other Services    | -       | 1,140   |
| Operating Lease Rentals - Land & Buildings | 4,560   | 4,560   |
| Operating Lease Rentals - Other            | 1,313   | 1,313   |
| Gain/(loss) on sale of fixed assets        | 94,710  | (2,453) |

#### 10. OTHER FINANCE INCOME / CHARGES

|                                     | 2017   | 2016   |
|-------------------------------------|--------|--------|
|                                     | £      | £      |
| Unwinding of Discounted Liabilities | 19,042 | 28,382 |

# CADDER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON-CURRENT ASSETS

| a) Housing Properties | Housing<br>Properties<br>Held<br>for Letting<br>£ | Housing<br>Properties<br>In course of<br>Construction<br>£ | Total<br>£        |
|-----------------------|---|--|-------------------|
| <b>COST</b>           |   |  |                   |
| As at 1st April 2016  | 15,336,153  | 240,136  | 15,576,289        |
| Additions             | 474,046   | 194,070  | 668,116           |
| Disposals             | (268,720)   | -  | (268,720)         |
| Transfers             | -   | 100,969  | 100,969           |
| As at 31st March 2017 | <u>15,541,479</u>                                 | <u>535,175</u>   | <u>16,076,654</u> |
| <b>DEPRECIATION</b>   |   |  |                   |
| As at 1st April 2016  | 4,810,637   | -  | 4,810,637         |
| Charge for Year       | 428,434   | -  | 428,434           |
| Disposals             | (179,101)   | -  | (179,101)         |
| As at 31st March 2017 | <u>5,059,970</u>                                  | <u>-</u>   | <u>5,059,970</u>  |
| <b>NET BOOK VALUE</b> |   |  |                   |
| As at 31st March 2017 | <u>10,481,509</u>                                 | <u>535,175</u>   | <u>11,016,684</u> |
| As at 31st March 2016 | <u>10,525,516</u>                                 | <u>240,136</u>   | <u>10,765,652</u> |

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £515,018 (2016 - £341,739)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £873,362. The amount capitalised is £515,018 with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £515,018 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £11069000 (2016 - £10,141,690).

| b) Other Tangible Assets      | Community<br>Centre<br>£ | Computer<br>Equipment<br>£ | Office<br>Premises<br>£ | Furniture<br>& Equipment<br>£ | Total<br>£       |
|-------------------------------|--------------------------|----------------------------|-------------------------|-------------------------------|------------------|
| <b>COST</b>                   |                          |                            |                         |                               |                  |
| As at 1st April 2016          | 3,260,363                | 139,648                    | 218,935                 | 334,315                       | 3,953,261        |
| Additions                     | 294,343                  | 11,309                     | 6,737                   | 117,844                       | 430,233          |
| Transfers                     | ( 398,582)               | -                          | 249,075                 | -                             | (149,507)        |
| As at 31st March 2017         | <u>3,156,124</u>         | <u>150,957</u>             | <u>474,747</u>          | <u>452,159</u>                | <u>4,233,987</u> |
| <b>AGGREGATE DEPRECIATION</b> |                          |                            |                         |                               |                  |
| As at 1st April 2016          | -                        | 128,606                    | 50,531                  | 241,733                       | 420,870          |
| Charge for year               | 63,122                   | 14,267                     | 12,485                  | 57,676                        | 147,550          |
| Transfers                     | -                        | -                          | (48,538)                | -                             | (48,538)         |
| As at 31st March 2017         | <u>63,122</u>            | <u>142,873</u>             | <u>14,478</u>           | <u>299,409</u>                | <u>519,882</u>   |
| <b>NET BOOK VALUE</b>         |                          |                            |                         |                               |                  |
| As at 31st March 2017         | <u>3,093,002</u>         | <u>8,084</u>               | <u>460,269</u>          | <u>152,750</u>                | <u>3,714,105</u> |
| As at 31st March 2016         | <u>3,260,363</u>         | <u>11,042</u>              | <u>168,404</u>          | <u>92,582</u>                 | <u>3,532,391</u> |

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. CAPITAL COMMITMENTS

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | -         | 606,794   |

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

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:- |           |           |
| <b>Land and Buildings</b>   |           |           |
| Expiring within one year  | 4,560     | 4,560     |
| Expiring between two and five years   | 13,680    | 18,240    |
| <b>Other</b>  |           |           |
| Expiring within one year  | 1,252     | 1,252     |
| Expiring between two and five years   | 1,879     | 3,132     |

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

#### 14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2017<br>£ | 2016<br>£ |
|------------------------------------|-----------|-----------|
| Arrears of Rent & Service Charges  | 111,594   | 107,743   |
| Less: Provision for Doubtful Debts | (61,557)  | (50,988)  |
|                                    | 50,037    | 56,755    |
| Other Receivables                  | 72,169    | 93,329    |
|                                    | 122,206   | 150,084   |

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

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Housing Loans                            | 526,050   | 450,517   |
| Trade Payables                           | 195,499   | 466,938   |
| Rent in Advance                          | 67,056    | 58,927    |
| Other Taxation and Social Security       | 21,875    | 22,456    |
| Liability for Past Service Contributions | 79,000    | 74,000    |
| Accruals and Deferred Income             | 209,081   | 282,501   |
|  | 1,098,561 | 1,355,339 |

At the balance sheet date there were pension contributions outstanding of £8,025 (2016 £8,717).

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|   | 2017<br>£        | 2016<br>£        |
|---|------------------|------------------|
| Liability for Past Service Contributions                  | 323,000          | 377,096          |
| Housing Loans   | 4,642,888        | 5,233,437        |
|   | <u>4,965,888</u> | <u>5,610,533</u> |
| <b>Housing Loans</b>                                      |                  |                  |
| Amounts due within one year                               | 526,050          | 450,517          |
| Amounts due in one year or more but less than two years   | 477,431          | 463,550          |
| Amounts due in two years or more but less than five years | 1,524,898        | 1,477,602        |
| Amounts due in more than five years                       | 2,640,559        | 3,292,285        |
|   | <u>5,168,938</u> | <u>5,683,954</u> |
| Less: Amount shown in Current Liabilities                 | 526,050          | 450,517          |
|   | <u>4,642,888</u> | <u>5,233,437</u> |
| <b>Liability for Past Service Contributions</b>           |                  |                  |
| Amounts due within one year                               | 79,000           | 74,000           |
| Amounts due in one year or more but less than two years   | 82,000           | 76,247           |
| Amounts due in two years or more but less than five years | 241,000          | 230,371          |
| Amounts due in more than five years                       | -                | 70,478           |
|   | <u>402,000</u>   | <u>451,096</u>   |
| Less: Amount shown in Current Liabilities                 | 79,000           | 74,000           |
|   | <u>323,000</u>   | <u>377,096</u>   |

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 |
|------------------------|---------------------------------------|-------------------------|----------|------------------|
| Cooperative bank       | Standard Security over 225 properties | 4.10%                   | 2029     | Fixed & Variable |
| Royal Bank of Scotland | Standard Security over 122 properties | 2.69%                   | 2024     | Fixed            |

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 1.06% (2015 - 2.29%)



# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. STATEMENT OF CASH FLOWS

|   | 2017<br>£      | 2016<br>£        |
|---|----------------|------------------|
| <b>Reconciliation of operating surplus to balance as at 31st March 2017</b> |                |                  |
| Operating Surplus   | 899,249        | 893,538          |
| Depreciation  | 584,815        | 450,243          |
| Change in properties developed for resale                                   | -              | (13,517)         |
| Amortisation of Capital Grants  | (132,102)      | (81,797)         |
| Change in inventories   | (17,470)       |                  |
| Change in debtors   | 27,878         | (37,607)         |
| Change in creditors   | (386,407)      | 467,889          |
| Unwinding of Discount on Pension Liability                                  | (19,042)       | (28,382)         |
| Balance as at 31st March 2017   | <u>956,921</u> | <u>1,650,367</u> |

#### 18. DEFERRED INCOME

|  | Housing<br>Properties<br>Held<br>for Letting<br>£ | Housing<br>Properties<br>In course of<br>Construction<br>£ | Other<br>Fixed<br>Assets<br>£ | Total<br>£       |
|--|---|--|-------------------------------|------------------|
| <b>Social Housing Grants</b>                           |   |  |                               |                  |
| Balance as at 1st April 2016                           | 4,089,876   | 238,841  | -                             | 4,328,717        |
| Additions in the year                                  | -   | 147,467  | -                             | 147,467          |
| Balance as at 31st March 2017                          | <u>4,089,876</u>                                  | <u>386,308</u>   | -                             | <u>4,476,184</u> |
| <b>Amortisation</b>                                    |   |  |                               |                  |
| Balance as at 1st April 2016                           | 1,762,381   | -  | -                             | 1,762,381        |
| Amortisation in year                                   | 81,799  | -  | -                             | 81,799           |
| Balance as at 31st March 2017                          | <u>1,844,180</u>                                  | -  | -                             | <u>1,844,180</u> |
| <b>Net book value</b>                                  |   |  |                               |                  |
| Balance as at 31st March 2017                          | <u>2,245,696</u>                                  | <u>386,308</u>   | -                             | <u>2,632,004</u> |
| Balance as at 31st March 2016                          | <u>2,327,495</u>                                  | <u>238,841</u>   | -                             | <u>2,566,336</u> |
| <b>Other Grants</b>                                    |   |  |                               |                  |
| Balance as at 1st April 2016                           | -   | -  | 2,615,168                     | 2,615,168        |
| Eliminated on disposal components and property         | -   | -  | (100,000)                     | (100,000)        |
| Balance as at 31st March 2017                          | -   | -  | <u>2,515,168</u>              | <u>2,515,168</u> |
| <b>Amortisation</b>                                    |   |  |                               |                  |
| Balance as at 1st April 2016                           | -   | -  | -                             | -                |
| Amortisation in year                                   | -   | -  | 50,303                        | 50,303           |
| Balance as at 31st March 2017                          | -   | -  | <u>50,303</u>                 | <u>50,303</u>    |
| <b>Net book value</b>                                  |   |  |                               |                  |
| Balance as at 31st March 2017                          | -   | -  | <u>2,464,865</u>              | <u>2,464,865</u> |
| Balance as at 31st March 2016                          | -   | -  | <u>2,615,168</u>              | <u>2,615,168</u> |
| <b>Total grants net book value as at 31 March 2017</b> | <u>2,245,696</u>                                  | <u>386,308</u>   | <u>2,464,865</u>              | <u>5,096,869</u> |

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

|                                      | 2017<br>£        | 2016<br>£        |
|--------------------------------------|------------------|------------------|
| Amounts due within one year          | 132,102          | 81,797           |
| Amounts due after more than one year | 4,964,767        | 6,862,088        |
|                                      | <u>5,096,869</u> | <u>6,943,885</u> |

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. SHARE CAPITAL

##### Shares of £1 each Issued and Fully Paid

|                    |            |
|--------------------|------------|
| At 1st April 2016  | £          |
| Issued in year     | 136        |
| Cancelled in year  | 9          |
|                    | -          |
| At 31st March 2017 | <u>145</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:- | <b>2017</b> | <b>2016</b> |
| General Needs - Purchased by Association                                 | <b>No.</b>  | <b>No.</b>  |
|  | 641         | 647         |
|  | <u>641</u>  | <u>647</u>  |

#### 21. RELATED PARTY TRANSACTIONS

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

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position 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 is made at arm's length and under normal commercial terms.

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

|  |        |
|--|--------|
|  | £      |
| Rent and factoring received from Tenants on the Committee and their close family members | 15,677 |
| Factoring Charges received from owners on the Committee                                  | 586    |

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £nil (2016 - £nil).

One member of the Committee is a local councillor.

#### 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 20 Fara Street, Glasgow, G23 5AE.

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

# CADDER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £1,181 in the year by way of reimbursement of expenses (2016 - £915). No remuneration is paid to Management Committee members in respect of their duties in the Association.

#### 24. INVESTMENTS

|                     | 2017<br>£ | 2016<br>£ |
|---------------------|-----------|-----------|
| Short term deposits | 1,500,000 | 2,000,000 |

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

Cadder Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit 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 Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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.

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 statement of financial position date the present value of this obligation was £402,000 (2016 - £451,096). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Association made payments totalling £79,000 (2016: £74,000) to the pension scheme during the year.