



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Rural Housing Association
2 Killyclogher Road, Omagh, County Tyrone, BT79 0AX

Association Information

<i>Board of Management</i>	Neville Armstrong MSc BA (Hons) PGCE FRSA (Chair) Carol Follis BA (Hons) (Vice Chair) Rory O'Brien BSc (Hons) (Secretary) Ciaran McKenna BSc MBA (Treasurer) Shirley McNulty Alistair McKane BA, Dip TP, MRTPI Thomas Gallagher B Ed. John Moss BSc (Hons), MSc Michael Herron BA (Hons), Dip.Arch RIBA (Resigned) Andrea Gallagher (Resigned)
<i>Chief Executive</i>	Mr Stephen Fisher CIHCM
<i>Registered Office</i>	2 Killyclogher Road, Omagh, County Tyrone, BT79 0AX
<i>Head Office</i>	2 Killyclogher Road, Omagh, County Tyrone, BT79 0AX
<i>Bankers</i>	Danske Bank 5-7 Market Street, Omagh, County Tyrone BT78 1BN First Trust Bank 8 High Street, Omagh, County Tyrone BT78 1BH
<i>Solicitors</i>	McCaffrey & Co 8-10 Church Hill Omagh Co Tyrone BT78 1DQ
<i>Statutory Auditors</i>	R T J Ross Chartered Accountants & Registered Auditor 13 Holmview Terrace Omagh Co Tyrone BT79 0AH
<i>Internal Auditors</i>	TonerMcDowell Chartered Accountants & Registered Auditors The Mount 2 Woodstock Link BELFAST BT6 8DD

Contents

Report of Board of Management	Page	3
Auditor's Report to the Members of Rural Housing Association	Page	5
Statement of Comprehensive Income	Page	8
Statement of Financial Position	Page	9
Statement of Changes in Equity	Page	10
Statement of Cash Flows	Page	11
Notes to the Financial Statements	Page	12
Detailed Income and Expenditure Summary for the Financial Year Ended 31 March 2018	Page	22
Income and Expenditure from Lettings for the Financial Year Ended 31 March 2018	Page	24
Administrative Expenditure for the Financial Year Ended 31 March 2018	Page	25

Report of the Board of Management

The Board present their report together with the audited financial statements for the year ended 31 March 2018.

Principal activities

Rural Housing Association was registered under the Industrial and Provident Society Act (NI) 1969 on 2 March 1992. The Association is a registered non-profit making housing association with the Department for Communities providing housing accommodation for those in need and is recognised as a charity with The Charity Commission for Northern Ireland and has charitable status with HMRC.

Business Review

During the financial year the Association purchased 25 additional units of accommodation (2017: 12 units). Operating costs increased by £208,185 while the operating surplus increased to £935,634.

Interest payable was £621,597 resulting in an overall surplus for the financial year of £306,527 (2017: £451,567)

On the balance sheet housing properties at depreciated cost was £38m (2017: £35m)

Average staff numbers for the year are currently at 18 and are not anticipated to increase significantly during the incoming financial year.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is on going, has been in place throughout the period commencing 1 April 2017 up to the date of approval of the annual report and financial statements. Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit Risk and Governance and Technical Sub-committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- a Risk Register and Business Continuity Plan exists to help manage and mitigate these risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- a formal governance framework detailing standing orders, cyclic reporting processes and relationships between the Board, Sub-committees, Senior Management Team and staff;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for all significant new development initiatives and commitments;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes; and
- Board approved whistleblowing and fraud policies.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has delegated authority to the Audit Risk and Governance Sub-committee to regularly review the effectiveness of the system of internal control. The Board receives regular reports for the Audit Risk and Governance Sub-committee together with minutes of meetings. The Audit Risk and Governance Sub-committee has received the annual report of the internal auditor, and has reported its findings to the Board.

Report of the Board of Management (continued)

Statement of Board of Management Responsibilities

The Industrial and Provident Societies Act and registered housing association legislation require the members of the Board of Management to prepare financial statements for each financial year that give a true and fair view of the state of the Association's affairs and of its surplus or deficit for that period. In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue to operate.

The members of the Board of Management are 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 Industrial and Provident Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. They have general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Statement of Disclosure to Auditors

So far as each of the members of the Board of Management at the date of approval of these financial statements is aware:

- there is no relevant information of which the Association's auditor is unaware.
- they have taken all reasonable steps that they ought to have taken as members of the Board of Management in order to make themselves aware of all relevant audit information and to establish that the Association's auditor is aware of that information.

On behalf of the Board


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Secretary

Auditor's Report to the Members of Rural Housing Association

Opinion

We have audited the financial statements of Rural Housing Association Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in equity, the Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Provident Societies Act (Northern Ireland) 1969. Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Association at 31 March 2018 and of its surplus for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Industrial and Provident Societies Act (Northern Ireland) 1969, the Housing (Northern Ireland) Order 1992, the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993 and Statement of Recommended Practice 2014 Accounting by Registered Social Landlords.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Board of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. The Board of Management are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Auditor's Report to the Members of Rural Housing Association cont'd

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Act (Northern Ireland) 1969 requires us to report to you if, in our opinion:

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

Respective responsibilities of the Board of Management and Auditor

As described in the Report of the Board of Management on page 5 the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ms U Colgan (Senior Statutory Auditor)
for and on behalf of R T J Ross

Chartered Accountants and Statutory Auditors
13 Holmview Terrace
Omagh
Co Tyrone
BT79 0AH

20 June 2018

Auditor's Report to the Members of Rural Housing Association cont'd

Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Statement of Comprehensive Income for the Year Ended 31 March 2018

	Note	2018 £	Restated 2017 £
Turnover		3,048,518	2,891,758
Less operating costs		(2,112,884)	(1,904,699)
Operating surplus	2	935,634	987,059
Surplus on property disposals		379,919	-
Interest receivable	7	2,490	27
Interest payable and other charges	8	(621,597)	(530,519)
Financing (cost)/income	16	(10,000)	(5,000)
Transfer to disposal proceeds fund		(379,919)	-
Surplus on ordinary activities before taxation		306,527	451,567
Corporation tax on surplus	9	-	-
Surplus for the year after taxation		306,527	451,567
Other comprehensive income			
Actuarial gain/(loss) on pension scheme		26,000	(203,000)
Prior year adjustment		-	-
Total comprehensive income for the year		332,527	248,567

Continuing operations

None of the Association's activities were acquired or discontinued during the above two financial years.

Historical cost

The difference between the results as disclosed in the Statement of Comprehensive Income before tax, and retained surplus for the year, on an unmodified historical cost basis is not material.

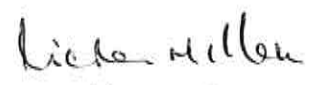
Statement of Financial Position as at 31 March 2018

	Note	2018 £	Restated 2017 £
Tangible fixed assets			
Housing properties	10a	36,865,484	34,783,192
Other fixed assets	10b	<u>929,272</u>	<u>958,668</u>
		37,794,756	35,741,860
Current assets			
Debtors and prepayments	12	566,741	267,408
Cash and cash equivalents	13	2,894,341	1,417,071
		<u>3,461,082</u>	<u>1,684,479</u>
Creditors: amounts falling due within 1 year	14	<u>(1,789,596)</u>	<u>(1,456,978)</u>
Net current assets		<u>1,671,486</u>	<u>227,501</u>
Total assets less current liabilities		39,466,242	35,969,361
Creditors: amounts falling due after more than 1 year	15	(35,599,372)	(32,457,020)
Provision for liabilities and charges			
Pension liability	16	(423,000)	(401,000)
Total net assets		<u>3,443,870</u>	<u>3,111,341</u>
Reserves			
Share capital	17	8	8
Capital reserves	18	28	26
Revenue reserves		3,443,834	3,111,307
Total Reserves		<u>3,443,870</u>	<u>3,111,341</u>

Approved by the Board of Management on 20 June 2018


Chairman


Honorary Secretary


Honorary Treasurer

Statement of changes in equity for the Year Ended 31 March 2018

	Share Capital £	Capital Reserves £	Revenue Reserves £	Total £
At 1 April 2016	8	25	2,862,740	2,862,773
Surplus/(deficit) for the year	-	-	451,567	451,567
Actuarial gain/(loss) on pension scheme	-	-	(203,000)	(203,000)
Share issue	1	-	-	1
Share cancellation	(1)	1	-	-
At 31 March 2017	<u>8</u>	<u>26</u>	<u>3,111,307</u>	<u>3,111,341</u>
Surplus/(deficit) for the year	-	-	306,527	306,527
Actuarial gain/(loss) on pension scheme	-	-	26,000	26,000
Share issue	2	-	-	2
Share cancellation	(2)	2	-	-
At 31 March 2018	<u>8</u>	<u>28</u>	<u>3,443,834</u>	<u>3,443,870</u>

Statement of Cash Flows for the Year Ended 31 March 2018

	Note	£	2018 £	£	2017 £
Net cash flow from operating activities	19		1,409,027		1,414,062
Cash flow from investing activities					
Purchase of tangible fixed assets		(3,053,857)		(1,594,990)	
Proceeds from sale of tangible fixed assets		481,666		-	
Grants received		1,451,042		724,730	
Interest received		2,489		27	
			(1,118,660)		(870,233)
Cash flow from financing activities					
Interest paid		(628,865)		(525,177)	
New secured loans		2,250,000		1,800,000	
Repayments of borrowings		(434,234)		(460,623)	
Share capital		2		1	
			1,186,903		814,201
Net change in cash and cash equivalents			1,477,270		1,358,030
Cash and cash equivalents at 1 April			1,417,071		59,041
Cash and cash equivalents at 31 March	13		2,894,341		1,417,071

Notes to the Financial Statements for the Year Ended 31 March 2018

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in compliance with FRS102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Statement of Recommended Practice for registered social housing providers (SORP 2014) issued by the National Federation of Housing Associations. The presentation of the financial statements complies with the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993.

Turnover

Turnover comprises rental income, grants and other income.

The Association's rental income is reflected net of income attributable to property rates.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost of housing properties includes the direct costs of purchase and conversion together with professional fees.

Depreciation has been provided on the Association's Fixed Assets consistent with standard accounting practice at the following rates:

Fixed assets by class	Useful life	Method
Housing property :		
- Main fabric	100 Years	Straight line
- Roof structure & covering	70 Years	Straight line
- Windows & external doors	30 Years	Straight line
- Kitchen	20 Years	Straight line
- Bathroom/WCs	30 Years	Straight line
- Heating, ventilation & plumbing	30 Years	Straight line
- Electrics	40 Years	Straight line
Office building	60 Years	Straight line
Computer equipment	3 Years	Straight line
Office furniture & equipment	5 Years	Straight line

The depreciation charge is time apportioned in the month of addition and in the month of disposal.

No depreciation is charged on either property under development or land.

Housing Association financing

Capital development expenditure by the Association is financed partially by Housing Association Grant from the Department for Communities and from Private Sector Loan Finance (Mixed Funding). Current (revenue) expenditure associated with the management of the development programme is also supported by Housing Association Grant allowance, which is attributed to the Income and Expenditure account as appropriate. Administration expenditure associated with the management of the Association's property is charged directly against income from lettings.

Notes to the Financial Statements for the Year Ended 31 March 2018

Acquisition and development allowances

The amount of acquisition and development allowances (HAG) allowed by the Department for Communities are attributed to the cost of the property concerned. Credit is taken for allowances for administrative costs (associated with the management of the development programme) in the Statement of Comprehensive Income and a relevant proportion of administrative expenditure is charged against them.

Government and other grants

Where the cost of properties have been financed by a Housing Association Grant (HAG) paid from the Department for Communities, the grant is recognised in income over the expected useful life of the housing property structure and its individual components on a pro rata basis under the accruals model.

HAG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

To the extent that Housing Association Grant is received in advance of the related expenditure, it has been included in Creditors: falling due within 1 year, to be attributed to appropriate capital and revenue expenditure in future accounting periods.

Disposal proceeds fund

The Disposal Proceeds Fund represents the net surplus on property sales together with grant, which has been set aside for the purpose of providing replacement properties in accordance with the Department for Communities regulations.

If the surpluses are not used within two years from their receipt they may be payable in part or in full to the Department for Communities.

Retirement benefits

The Association participates in an industry wide defined benefit final salary pension scheme. The underlying assets and liabilities of the scheme attributable to Rural Housing Association have been identified by actuaries. As a result the Association recognises the scheme deficit on the balance sheet at the year end. Actuarial gains and losses and returns on scheme assets are recognised in the statement of comprehensive income. Current and past service costs are recognised within operating surplus and interest on obligations is recognised as other finance costs.

Notes to the Financial Statements for the Year Ended 31 March 2018

2 Turnover, operating costs and operating surplus/(deficit) from social housing activities

The whole of the association's turnover is attributable in the United Kingdom and is derived from the principal activity of social housing.

	General Needs Housing £	Total Social Housing £	Other Income £	2018 Total Income £	Restated 2017 Total Income £
Income from Social Housing lettings					
Rent receivable	2,323,975	2,323,975	-	2,323,975	2,205,630
Rates receivable	299,404	299,404	-	299,404	288,696
Management allowance re adaptations	10,212	10,212	-	10,212	2,729
Interest received	-	-	2,489	2,489	27
Surplus on property disposal	-	-	379,919	379,919	-
Other income	6,252	6,252	-	6,252	4,644
Amortisation of grants	422,723	422,723	-	422,723	403,504
Gross income from rents					
Less voids	(14,047)	(14,047)	-	(14,047)	(13,445)
Net income from rents	3,048,519	3,048,519	382,408	3,430,927	2,891,785
Operating costs					
Bad debts	(13,352)	(13,352)	-	(13,352)	(16,942)
Housing Management costs	(433,886)	(433,886)	-	(433,886)	(402,088)
Maintenance Administration	(231,441)	(231,441)	-	(231,441)	(184,517)
Planned and cyclical maintenance	(231,100)	(231,100)	-	(231,100)	(197,183)
Development expenses	(33,689)	(33,689)	-	(33,689)	(22,910)
Response maintenance	(245,729)	(245,729)	-	(245,729)	(205,388)
Major repairs	-	-	-	-	-
Depreciation	(654,223)	(654,223)	-	(654,223)	(615,845)
Rates	(269,464)	(269,464)	-	(269,464)	(259,826)
Operating costs	(2,112,884)	(2,112,884)	-	(2,112,884)	(1,904,699)
Interest payable	-	-	(621,597)	(621,597)	(530,519)
Financing cost/income	-	-	(10,000)	(10,000)	(5,000)
Transfer to Disposal Proceeds Fund	-	-	-	(379,919)	-
Operating Surplus/(Deficit)	935,635	935,635	(249,189)	306,527	451,567
DSD Allowances					
Management Allowances £396 per unit	185,724				177,804
Management costs	433,886				402,088
Surplus / Deficit	(248,162)				(224,284)
Maintenance Allowances £464 per unit	217,616				208,336
Planned and cyclical maintenance	231,100				197,183
Response maintenance	245,729				205,388
Surplus / Deficit	(259,213)				(194,235)
Gross income from rents					
Technical	1,835,940				1,787,599
Non technical	441,556				446,900
Total	2,277,496				2,234,499

Notes to the Financial Statements for the Year Ended 31 March 2018

	2018 £	2017 £
3 Operating surplus		
Operating surplus is stated after charging/(crediting):		
Depreciation on tangible fixed assets	667,010	629,909
(Profit)/loss on disposal of fixed assets	(755)	-
Auditors remuneration	19,669	17,058
Amortisation of Government grants	(422,723)	(403,504)
	<u>667,010</u>	<u>629,909</u>

	2018	2017
4 Employee information		
The average monthly number of persons employed during the year was:	<u>18</u>	<u>16</u>

	2018 £	2017 £
5 Staff Costs (including Chief executive)		
Salaries	422,259	343,056
Social security costs	39,703	32,150
Pension costs	69,576	70,458
	<u>531,538</u>	<u>445,664</u>

6 Board members and Chief executive		
Chief executive's emoluments (including employer contributions)	<u>80,258</u>	<u>76,092</u>

The Board members received no remuneration from the Association. Total expenses paid during the year to Board members amounted to £546 (2017: £925).

Rent received from tenant Board members during the year amounted to £4,392 (2017: £4,269).

7 Interest receivable		
Bank interest	<u>2,490</u>	<u>27</u>

8 Interest payable and other charges		
Bank loans	<u>621,597</u>	<u>530,519</u>

9 Corporation tax

The Association became a registered charity reference XR23974 with effect from 13 October 2008. The Association is not liable to Corporation Tax from that date.

Notes to the Financial Statements for the Year Ended 31 March 2018

	2018 £	2017 £
10 Fixed assets		
(a) Housing land and buildings cost		
At beginning of year	41,802,859	40,187,453
Additions during year	3,093,135	1,615,406
Disposals during year	(452,104)	-
At end of year	<u>44,443,890</u>	<u>41,802,859</u>
Depreciation		
At beginning of year	(7,019,667)	(6,422,023)
Charge for year	(636,249)	(597,644)
On disposals	77,510	-
At end of year	<u>(7,578,406)</u>	<u>(7,019,667)</u>
Net book value at end of year	<u>36,865,484</u>	<u>34,783,192</u>

(b) Other fixed assets

	Office	Computer Equipment	Office Equipment	TOTAL
Cost				
At beginning of year	1,078,498	59,818	45,735	1,184,051
Additions during year	-	824	674	1,498
Disposals during year	-	(1,939)	(616)	(2,555)
At end of year	<u>1,078,498</u>	<u>58,703</u>	<u>45,793</u>	<u>1,182,994</u>
Depreciation				
At beginning of year	(150,727)	(41,313)	(33,343)	(225,383)
Charge for year	(17,974)	(8,868)	(3,919)	(30,761)
On disposals	-	1,938	484	2,422
At end of year	<u>(168,701)</u>	<u>(48,243)</u>	<u>(36,778)</u>	<u>(253,722)</u>
Net book value at end of year	<u>909,797</u>	<u>10,460</u>	<u>9,015</u>	<u>929,272</u>
Net book value at beginning of year	<u>927,771</u>	<u>18,505</u>	<u>12,392</u>	<u>958,668</u>

11 Housing Stock

Number of units owned by the Association on 31 March 2018
- General Needs Housing

	2018	2017
	<u>469</u>	<u>449</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

	2018 £	2017 £
12 Debtors		
Tenant debt		
Rental debtors gross - technical	75,031	54,978
Rental debtors gross - Non-technical	22,068	27,966
	<u>97,099</u>	<u>82,944</u>
Less: provision for bad and doubtful debts	(1,318)	(3,444)
	<u>95,781</u>	<u>79,500</u>
HAG receivable	404,511	143,660
Interest receivable	-	-
Prepayments	30,842	29,315
Other debtors	35,607	14,933
	<u>566,741</u>	<u>267,408</u>
13 Cash and cash equivalents		
Bank deposit account	1,000,000	-
Current bank accounts	1,894,129	1,416,942
Cash on hand	212	129
	<u>2,894,341</u>	<u>1,417,071</u>
14 Creditors (due within 1 year)		
Tenant overpayment	15,169	Restated 12,276
Accruals	754,662	508,725
Other creditors	88,226	50,173
Loan interest	16,995	24,260
HAG paid in advance by DFC (see below)	-	-
Deferred Housing Association Grant (Note 15)	364,588	403,504
Loan repayments due within 1 year (Note 15)	549,956	458,040
Bank overdraft	-	-
	<u>1,789,596</u>	<u>1,456,978</u>
HAG paid in advance by DFC		
Opening balance	-	-
Opening grant receivable	(143,660)	(33,568)
Grant received during year	1,528,784	787,636
Attributed to capital development	(1,779,424)	(894,999)
Transfer to revenue account	(10,211)	(2,729)
Grant receivable at year end	404,511	143,660
Balance at year end	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

		2018 £	Restated 2017 £
15 Creditors (falling due after more than 1 year)			
Disposal proceeds fund	(a)	397,882	101,260
Bank loans	(b)	12,845,179	11,121,333
Deferred income - capital grants	(c)	22,356,311	21,234,427
		<u>35,599,372</u>	<u>32,457,020</u>
(a) Disposal proceeds fund			
Opening balance		101,260	161,436
Transfers in - surplus on disposals		286,920	-
- repayment of VPG discount		93,000	-
		<u>379,920</u>	-
Transfers out - replacement properties		(83,298)	(60,176)
Closing balance		<u>397,882</u>	<u>101,260</u>
(b) Bank loans			
Long term (15, 18 & 20 year) loans:-		13,395,135	11,579,373
Less repayable within 1 year		(549,956)	(458,040)
		<u>12,845,179</u>	<u>11,121,333</u>
(c) Deferred income - capital grants			
Housing Association grant			
At beginning of year		26,362,105	25,467,106
Attributed during year		1,696,126	834,823
From disposal proceeds fund		83,298	60,176
On disposals		(331,868)	-
At end of year		<u>27,809,661</u>	<u>26,362,105</u>
Other public grant		<u>58,766</u>	<u>58,766</u>
		<u>27,868,427</u>	<u>26,420,871</u>
Amortisation			
At beginning of year		(4,782,940)	(4,379,436)
Amortised in year		(422,723)	(403,504)
On disposals		58,135	-
At end of year		<u>(5,147,528)</u>	<u>(4,782,940)</u>
Net book value at start of year		<u>21,637,931</u>	<u>22,041,435</u>
Deferred Housing Association Grant falling due within 1 year		364,588	403,504
Deferred Housing Association Grant falling due after 1 year		22,356,311	21,234,427
Net book value at end of year		<u>22,720,899</u>	<u>21,637,931</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

16 Provision for liabilities and charges

	2018 £	2017 £
Pension liability		
Opening balance	401,000	189,000
Current & past service cost	109,000	74,000
Employers contributions	(71,000)	(70,000)
Interest on net defined benefit liability/(asset)	10,000	5,000
Remeasurement gains / (losses)	(26,000)	203,000
Closing balance	<u>423,000</u>	<u>401,000</u>

17 Share capital	<u>8</u>	<u>8</u>
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18 Capital reserves	<u>28</u>	<u>26</u>
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Paragraphs 7 and 15 of the Association's Model H Rules require each member to hold only one share of nominal value of one pound each in the Association. There were 8 members of the Association at 31 March 2018 (2017 : 8 members), two members joined and two members retired from the Board of Management during the year.

19 Cash flow from operating activities

Surplus for the year	935,634	987,059
Adjustments for non-cash items:		
Depreciation of tangible assets	589,500	629,909
Amortisation of social housing grant	(364,588)	(403,504)
(Increase)/decrease in debtors	(38,480)	10,093
Increase/(decrease) in creditors	248,829	186,505
Pension costs less contributions payable	<u>38,000</u>	<u>4,000</u>
	473,261	427,003
Adjustments for investments or financing activities:		
(Profit)/loss on sale of tangible fixed assets	<u>132</u>	-
	132	-
Net cash inflow from operating activities	<u><u>1,409,027</u></u>	<u><u>1,414,062</u></u>

20 Capital Commitments

At the balance sheet date the Association was contractually committed to capital development expenditure of £1.3m (31.03.17 : £0).

Notes to the Financial Statements for the Year Ended 31 March 2018

21 Contingent liabilities

There exists a contingent liability on the Association of the possibility of having to repay Housing Association Grant received on properties if any properties are sold. This also includes any grant written off through the implementation of component accounting. The possibility of reimbursement to the Department for Communities of the HAG released on build components replaced is considered to be unlikely as the housing properties are expected to continue to be made available for social housing.

22 Retirement benefits

The Association operates a defined benefit pension scheme for its employees with the assets held separately from those of the company. The scheme provides retirement benefits on the basis of members' average earnings but any member who joined before 31 March 2015 will be based on final salary. The fund is administered by the Northern Ireland Local Government Officers' Superannuation Committee. The funded nature of the Local Government Pension Scheme require the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

A full actuarial valuation of the employer's Local Government Pension Scheme funded benefits was carried out at 31 March 2016 by a qualified independent actuary. Adjustments to the valuation at that date have been made based on the following assumptions:

	2018	2017
Pension increases	2.0%	2.0%
Salary increases	3.5%	3.5%
RPI Inflation	3.1%	3.1%
CPI Inflation	2.0%	2.0%
Discount rate	2.6%	2.6%
Pension accounts revaluation rate	2.0%	2.0%

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these assumptions are shown below:

	2018	2017
	years	years
Males		
Member aged 65 at accounting date	23.3	23.2
Member aged 45 at accounting date	25.5	25.4
Females		
Member aged 65 at accounting date	25.9	25.8
Member aged 45 at accounting date	28.2	28.1

Notes to the Financial Statements for the Year Ended 31 March 2018

22 Retirement benefits (continued)

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
At 1 April 2017	1,255,000	(1,656,000)	(401,000)
Benefits paid	(49,000)	49,000	-
Employer contributions	71,000	-	71,000
Employee contributions	25,000	(25,000)	-
Current service cost	-	(109,000)	(109,000)
Past service cost	-	-	-
Interest income / (expense)	33,000	(43,000)	(10,000)
Remeasurement gains / (losses)	-	-	-
- Actuarial losses	-	(5,000)	(5,000)
- Return on plan assets excluding interest income	31,000	-	31,000
At 31 March 2018	1,366,000	(1,789,000)	(423,000)

Total recognised as an expense:

	2018	2017
Current service cost	109,000	74,000
Past service cost	-	-
Interest cost	10,000	5,000
	119,000	79,000

No amounts (2017: nil) were included in the cost of assets.

The fair value of the plan assets was:

	2018	2017
Equities	975,000	935,000
Property	137,000	130,000
Bonds - government	71,000	70,000
Bonds - corporate	98,000	80,000
Cash	62,000	30,000
Other	23,000	10,000
	1,366,000	1,255,000

The return on the plan assets was:

	2018	2017
Interest income	33,000	47,000
Return on plan assets less interest income	31,000	(157,000)
Total return on plan assets	64,000	(110,000)

23 Prior Year Adjustment

The following reclassifications have been made to the Year End 2017 figures following recommendations made by Department for Communities Housing Regulation Branch.

Reclassification of £403,504 deferred Housing Association grant from creditors due after 1 year to creditors due within 1 year.

Rates of £259,826 and bad debts of £16,942 disclosed as operating costs in Note 2.

Detailed Income and Expenditure Summary for the Financial Year Ended 31 March 2018

	2018		2017	
	£	£	£	£
INCOME				
Rent receivable		2,309,928		2,192,185
Rates receivable		299,404		288,696
		<u>2,609,332</u>		<u>2,480,881</u>
Other income		16,463		7,373
Amortisation of grants		422,723		403,504
TOTAL INCOME		<u>3,048,518</u>		<u>2,891,758</u>
EXPENDITURE (Before Admin Apportionment)				
Letting costs	1,227,160		1,098,479	
Rates	269,464		259,826	
	<u>1,496,624</u>		<u>1,358,305</u>	
Administration costs	749,698		615,159	
TOTAL EXPENDITURE		2,246,322		1,973,464
TRADING SURPLUS/(DEFICIT)		<u>802,196</u>		<u>918,294</u>
TRADING SURPLUS/(DEFICIT) (After Admin Apportionments)				
Letting	889,231		950,816	
Rates	29,940		28,870	
	<u>919,171</u>		<u>979,686</u>	
Administration		(116,975)		(61,392)
		<u>802,196</u>		<u>918,294</u>
FIXED ASSETS AND INTEREST				
Administration costs capitalised		133,438		68,765
Interest receivable		2,490		27
Interest payable		<u>(621,597)</u>		<u>(530,519)</u>
SURPLUS/(DEFICIT)		316,527		456,567
Disposal of property				
Sale proceeds	397,000		-	
Voluntary purchase grant	93,000		-	
	<u>490,000</u>		<u>-</u>	
Less				
Cost of property	449,381		-	
HAG eliminated	(347,634)		-	
Allowable costs	3,879		-	
Voluntary purchase grant allowance	4,455		-	
	<u>110,081</u>		<u>-</u>	
		379,919		-
		<u>696,446</u>		<u>456,567</u>

Detailed Income and Expenditure Summary for the Financial Year Ended 31 March 2018

	Note	2018	2017
		£	£
Balance brought forward		696,446	456,567
Financing (cost)/ income			
Net interest on net scheme assets/liabilities		(10,000)	(5,000)
Net return		(10,000)	(5,000)
		<u>686,446</u>	<u>451,567</u>
Corporation tax on tax adjusted surplus		-	-
Surplus/(deficit) after taxation	3	<u>686,446</u>	<u>451,567</u>
Transfer to disposal proceeds fund		(379,919)	-
		<u>306,527</u>	<u>451,567</u>

Income and Expenditure from Lettings for Financial Year Ended 31 March 2018

	2018		2017	
	£	£	£	£
Income				
Rental income receivable		2,323,975		2,205,630
Less loss of income from voids		<u>(14,047)</u>		<u>(13,445)</u>
		2,309,928		2,192,185
Rates		<u>299,404</u>		<u>288,696</u>
		2,609,332		2,480,881
Amortisation of Grants		<u>422,723</u>		<u>403,504</u>
Total Income		<u>3,032,055</u>		<u>2,884,385</u>
Less operating (property management) expenditure				
Bad debt	13,352		16,942	
Insurance	49,067		40,211	
Development expenses	33,689		22,910	
Housing (response) maintenance	245,729		205,388	
External cyclical and planned maintenance	231,100		197,183	
Property depreciation	654,223		615,845	
Rates	269,464		259,826	
Total operating costs		<u>(1,496,624)</u>		<u>(1,358,305)</u>
Rent surplus (before admin & interest payable)		1,535,431		1,526,080
Administration apportionment		<u>(616,260)</u>		<u>(546,394)</u>
Rent surplus (before interest payable)		<u>919,171</u>		<u>979,686</u>

Administrative Expenditure for the Financial Year Ended 31 March 2018

	2018		2017	
	£	£	£	£
Administrative expenditure				
Salaries and wages	461,523		376,554	
Pension service cost	109,000		74,000	
Travel and subsistence	22,530		15,262	
Stationery and publications	5,537		5,746	
Affiliation and membership	10,190		9,883	
Publicity and advertising	5,436		1,695	
Courses and conferences	22,088		15,643	
Office accommodation and services	56,492		43,690	
Equipment and fittings - depreciation	12,787		14,064	
Accountancy and audit	19,669		17,058	
Legal & professional fees	13,438		23,711	
Insurance	6,688		9,615	
VPG administration allowance	(8,333)		-	
(Profit)/loss on disposal of fixed assets	(755)		-	
Vehicle lease charges	4,788		4,788	
General expenses	5,165		3,450	
Tenant Participation	3,455		-	
	<u>749,698</u>		<u>615,159</u>	
Total Administrative expenditure	<u>749,698</u>		<u>615,159</u>	
Apportionments				
Housing Management	384,819		361,877	
Property Maintenance	231,441		184,517	
	<u>616,260</u>		<u>546,394</u>	
Development and adaptations	133,438		68,765	
	<u>749,698</u>		<u>615,159</u>	