

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Registered Housing Association Number: 129
FCA Reference Number: 2274R(S)

FAIRFIELD HOUSING CO-OPERATIVE LIMITED

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**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2019**

MEMBERS OF THE MANAGEMENT COMMITTEE

Robert McDougall	Chairperson	Appointed December 2018
Alice McGuire		Resigned April 2019
Rena Crighton		Resigned December 2018
Kerry Ward	Vice Chairperson	
Charles Hoyler		Resigned January 2019
Connie Hodge		Resigned January 2019
George Kennedy		Resigned June 2018
John Mathieson		Resigned June 2019
Jacqueline Jackson		Resigned January 2019
David Robertson		Resigned July 2018
Alexander Reid		Resigned May 2019
Bartosz Maroszek		Resigned September 2018
James Taylor		
Carol Vernon		
Carol Ferguson	Secretary	Co-opted Appointed September 2018
Helen Dobbie		
Gemma Thomas		Appointed September 2018
Hazel Young		Appointed December 2018
Norman Fitzpatrick		Appointed December 2018
Ian McLean		Appointed December 2018
Margaret Vass		Appointed December 2018
John Davidson		Appointed December 2018
Stuart Dow		Appointed December 2018
Dorothy MacCloy		Casual Member July 2019
Alan Gear		Casual Member July 2019

EXECUTIVE OFFICERS

Chief Executive	Grant Ager	Employment ended April 2019
Statutory Manager	Mags Lightbody	Appointed December 2018 and resigned July 2019
Statutory Manager	Julia Fitzpatrick	Appointed July 2019
Interim Chief Executive	Julia Fitzpatrick	Appointed January 2019 and resigned July 2019
Interim Chief Executive	Jacqueline Norwood	Appointed July 2019

REGISTERED OFFICE

5 Fairfield Avenue
Perth
PH1 2TF

AUDITORS

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

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2019**

BANKERS

Clydesdale Bank
30 St. Vincent Street
Glasgow
G1 2HL

SOLICITORS

T C Young
Merchant's House
7 West George Street
Glasgow
G2 1BA

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2019**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2019. An operating and financial review is presented, as a strategic report is not required for an RSL of FHC's size.

Legal Status

FHC is a fully mutual housing co-operative registered as a social landlord with the Scottish Housing Regulator (No 129), and with the Financial Conduct Authority under the Co-operative & Community Benefit Societies Act 2014 (No. 2274 RS). It was formed in 1986 as Hunter's Village Housing Co-operative and renamed Fairfield Housing Co-operative in 1988.

Principal Activity

Fairfield Housing Co-operative's (FHC) principal activity is the provision of high quality affordable rented homes and excellent services which meet the needs and aspirations of its tenant members.

Review of business and future developments

Governance and the Committee of Management

The Management Committee is elected by the members of the Co-operative and is responsible for setting the strategic direction of the organisation, ensuring financial control and meeting legal and regulatory standards across all aspects of its operations.

In July 2018, the Committee co-opted two people to its Committee to support its governance and, on the guidance of the Scottish Housing Regulator, commissioned an investigation into potential governance and financial weaknesses. This identified serious weaknesses in the Co-operative's governance and financial management, and consequent failure to satisfy each of the regulatory standards. It resulted in the Scottish Housing Regulator intervening in the Co-operative in December 2018, with appointment of a Statutory Manager and seven Appointees to the Management Committee. An interim Chief Executive was also appointed from January 2019.

Significant efforts have been and will continue to be made to address the serious risks posed by these weaknesses. The Management Committee recognises the serious nature of these issues and the risk they present to tenants' interests and has and will continue to work constructively and openly with the Scottish Housing Regulator to address them. Good progress has been made with a Governance and Financial Management Improvement Plan, including appointment of new external and internal auditors and legal advisors following procurement exercises.

An options appraisal has been carried out, to explore the best future shape for the Co-operative to achieve sustainable governance, financial management and high -quality services compliant with regulatory standards, and safeguard tenants' best interests. This has confirmed the financial viability of the Co-operative and identified a shared services option for further exploration in the year ahead.

Properties in Management

FHC owns 514 self-contained homes as at 31 March 2019, in Fairfield, Muirton and City Centre areas of Perth. This includes four self-contained properties leased to Anchor House Cyrenians, a care and support charity, for the provision of temporary resettlement accommodation for homeless people with support needs.

In addition, FHC managed 55 homes in Perth and Crieff on behalf of Kingdom Housing Association, providing specified housing management and reactive maintenance services under a Service Level Agreement.

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In December 2018, the Management Committee decided that its plans for FHC to acquire further new homes in Bridge of Earn and Perth, a development agreement with Kingdom Housing Association, should not progress, in view of the Co-operative's regulatory status. Instead, FHC will manage these properties and further Kingdom Housing Association new homes in Perth & Kinross in an expanded service level agreement over the next few years.

The Co-operative provides its services from a local office, which it owns, at the heart of the Fairfield estate.

Houses under Construction

As at 31 March 2019, the Co-operative had no properties under construction.

Housing Management

The Co-operatives' tenants range in age and circumstance from young single people to large families and our housing management services need to be geared to meet these different needs. Less than half, 48%, of FHC tenants receive any assistance from the benefits system with housing costs while significant numbers are in full or part-time relatively low paid work. We recognise the adverse impact of social security changes and cuts and the impact for tenants who apply for Universal Credit. Gross rent arrears stood at 6.9% at 31 March 2019, considerably higher than peer RSLs, and robust rent arrears control is therefore a priority in the year ahead. The Co-operative refers tenants to local authority services for welfare rights and money advice and towards the end of the year facilitated the set-up of a regular welfare rights drop in service based at the Co-operative's office.

During the year 41 properties were relet (7.9% turnover) compared to 34 (7%) in 2017/18 and 30 new homes in Muirton were let in July 2018 for the first time. Overall, 42% were let to applicants nominated by the Council from the Common Housing Register. The allocations policy was reviewed to ensure compliance with the Housing (Scotland) Act 2014. Consultation with tenants and applicants supported a move towards becoming a partner in the Common Housing Allocations Policy and Register with Perth & Kinross Council and other local social landlords and this will be implemented in 2019-20. This aims to improve access to suitable housing for people in housing need, improve opportunities for tenants who wish to transfer home, and generate operational efficiencies. New processes will be designed to improve tenancy sustainment, which is lower than desirable at 82% to 31 March 2019. Rent loss due to properties remaining vacant was 0.17%, compared to 0.15% in 2017/18.

Asset Management

We invested £454,283 in the reactive, cyclical and planned maintenance of our homes (of which £78,462 on kitchens and gas boiler replacements was capitalised) including an external paintwork programme to windows, external doors, and wall render in Ladeside, Angus, Menzies Court and Tollhouse Gardens in Fairfield at a cost of £50,000. FHC uses several independent trades contractors to carry out most of its reactive repairs and achieves high satisfaction levels.

We also spent over £12,000 on adapting homes for disabled and older tenants in the year with grant assistance from Scottish Government.

Our repairs and maintenance policies will be revised in 2019/20 better to fulfil our new objective of maintaining all properties to a high standard. Cyclical maintenance programmes have been carried out to deal with and prevent the gradual and predictable deterioration of building components but need to be enhanced with review of cyclical maintenance requirements for the entire housing stock. It is expected that the cost of this maintenance and associated repairs would be charged to the Income and Expenditure Account.

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A Stock Condition Survey was commissioned in February 2019 from external consultants to provide the Management Committee with an understanding of our future maintenance and improvement requirements and to ensure we have adequate financial capacity to deliver these works. As a result, FHC has determined a long-term programme of major repairs to cover works which have become necessary since its original properties were refurbished or new developments completed, including works required by subsequent legislative changes. This includes replacements of repairs to elements of properties which have reached the end of their economic lives. The cost of these repairs will be capitalised as required by the SORP.

A programme of operational improvements started in January 2019 e.g. in gas safety compliance monitoring, to identify and address areas of property compliance where weaknesses were identified.

The Co-operative has two Estates Caretakers who carry out some aspects of required estates caretaking e.g. bulk uplifting, litter removal and grass cutting, with contracted service providers for stair cleaning and landscape maintenance. Estates and development inspections carried out by staff, in response to and informed by tenants' feedback, identified the need for major improvements and renewals, and provision has been made for these in the new Business Plan and budgets.

Tenant Involvement

Tenant involvement until the latter part of 2018 was generally informal, supported by developing use of social media, twice yearly newsletters and face to face contact between tenants and staff.

In the last quarter of the year, work started to develop a new Tenant Panel, a forum for tenants willing and able to assist the Co-operative and the Management Committee by giving views and helping to shape decisions about our future and our policies.

In July 2018, FHC celebrated 30 years of existence and achievement with a fun day in July attended by over 200 people, mostly residents of Co-operative homes.

Other initiatives and partnerships

In addition to managing FHC properties, the Co-operative provided a housing management and reactive maintenance service for 55 Kingdom Housing Association properties in Perth (41) and Crieff (14). We started a review of the Service Level Agreement and financial basis for this towards the end of the year, in anticipation of service growth in 2019-20 to manage new Kingdom Housing Association properties in Bridge of Earn, Perth, Blairgowrie, Auchterarder and Crieff planned for completion between March 2019 and March 2021.

In November 2018, FHC completed 30 new homes for social rent in Muirton in Perth, developed on behalf of the Co-operative by Caledonia Housing Association. An event in March 2019 attended by Kevin Stewart MSP, Cabinet Minister for Local Government, Housing & Planning, marked the completion of this final stage of the £52.5million Muirton regeneration project. FHC developed 95 new homes as part of this nine phase programme over 12 years which delivered 564 new homes for the areas, undertaken as a partnership agreement between Perth & Kinross Council, Fairfield Housing Co-op and Caledonia Housing Association with Caledonia Housing Association leading the project.

FHC played a lead role in the development of the Fairfield Action Group and continues to support them including providing a base for the Group. The Fairfield Action Group comprises local voluntary and statutory organisation who were previously located within the recently demolished Fairfield Neighbourhood Centre, following Perth & Kinross Council's decision in the autumn of 2018 to close this.

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In 2019-20, the Co-operative will work with the Council on its plans for redevelopment of the site for social rented housing, and with the Fairfield Action Group to continue and expand its community development approach.

Performance Management

We adopted a new approach to performance management seeking continuous improvement across our business activities. Performance reporting was enhanced with an externally validated Annual Return on the Social Housing Charter submitted to the Scottish Housing Regulator made from best available data, with the benefit of consultancy guidance from C Dugan Consultancy.

As part of the business planning process, performance targets and Key Performance Indicators have been established in consultation with staff. These are monitored by the Management Committee on a quarterly basis and matched to the Scottish Social Housing Charter Outcomes to report to tenants in the Annual Report to Tenants. FHC also benchmarks its performance in key areas against the performance of peer Registered Social Landlords (RSLs) with the Scottish Housing Network, and the Scottish averages published each year by the Scottish Housing Regulator.

From 2019/20, performance against Business Plan objectives will also be monitored quarterly by the Management Committee. A new performance management framework is to be introduced to support and monitor individual staff performance with twice-yearly reviews.

Employee Involvement, Health & Safety

FHC employed nine staff at 31 March 2019, of which seven are office based and two are estates based. The Cooperative values its staff and encourages involvement in all major initiatives. FHC is a member of Employers in Voluntary Housing (EVH), an umbrella body providing support to the governing bodies of not for profit and voluntary organisations in all aspects of their employer role. This includes a Joint negotiating Committee which negotiates salary structures, terms and conditions and wage settlements.

EVH also supports the Management Committee with fulfilling its Health & Safety responsibilities, with training and briefings available for the Co-operative's Health & Safety Administrator, staff and Committee. A bi-annual Health & Safety Audit was carried out in February 2019 and identified a range of areas for improvement, with the resulting improvement plan being overseen by the FHC's Audit, Risk & Finance Sub-Committee reporting to the Management Committee.

Strategy and Objectives

As part of its governance improvement and business renewal, the Management Committee has developed a new Business Plan for 2019 – 2022. Approved in June 2019, it reflects the work of the preceding six months and sets out a delivery plan applying from 1 April 2019 to achieve a freshly stated vision and mission and six newly framed strategic objectives.

FHC's vision is that tenants are at the heart of shaping and creating thriving, inclusive and engaged communities, in all our areas of operation. Our mission is to deliver high quality affordable homes and excellent services which meet the needs and aspirations of our customers and communities.

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Our newly stated strategic objectives for 2019 – 2022 are:

1. Strong, sustainable and effective strategic governance and financial management.
2. Desirable high-quality homes and attractive environments where people want to live and contribute.
3. Excellent, continually improving, modern, customer-driven services and performance.
4. Demonstrable value for money and social impact.
5. High performing, skilled, empowered and sustainable staff team.
6. More than a landlord: a partner in developing active community development, wider regeneration and renewal.

FHC's Management Committee has clear priorities for 2019/20 and beyond, all linked to the six strategic objectives set out above. These will contribute towards the recovery of the Co-operative after the significant setbacks of recognising and responding to its serious governance and financial management weaknesses.

The Committee recognises that ensuring sustainable governance and leadership remains a challenge and in 2019/20 FHC will complete its exploration of options for its future shape, with tenants' interests pivotal in this.

The Co-operative's new Business Plan incorporates a 30-year financial projection which demonstrates FHC to be a viable going concern, able financially to meet its commitments and requirements in relation to service and asset management as well as to maintain and comply with various obligations required by its lenders. The Delivery Plan includes significant investment in our older properties (£2.1m over three years) and in reviewing and developing appropriate structures, services and processes which support and enable a culture consistent with the Co-operative's newly stated values and objectives.

Like all social housing providers, FHC started to experience the impact of the roll out of Universal Credit. Although the impact of increasing arrears, voids and bad debts has been tested in sensitivity analyses on the long-term financial projections, the full impact of Universal Credit and the sensitivity of tenants to rent increases are among the highest risks facing FHC.

FHC will refinance £6.6m of its current loans in 2019/20 but it does not anticipate any requirement for additional borrowing to finance the planned capital investment in its homes. There are no current plans for additional new housing development.

Financial Review

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) for Social Housing Providers. Fairfield Housing Co-operative ("FHC" or "the Co-operative") achieved total comprehensive income for the year of £214,681 - deficit (2018, £305,275 - surplus).

Turnover has increased from last year to £2.35m (2018: £2.15m) and Operating Costs increased by 16.9% to £1.99m (2018, £1.70m). The income from Social Letting Activities increased by 9.6% and this reflects rental increases of 2.9% applied in April 2018 and income from an additional 30 units. Turnover from Other Activities (largely provision of Housing Management services on behalf of Kingdom Housing Association) remained the same.

FHC's total comprehensive income for the year decreased by £0.52m compared with 2018, of which £0.38m was due to the effect of reporting the net pension deficit for the Scottish Housing Associations Pension Scheme rather than the present value of the past service deficit contributions.

In accordance with the Housing SORP 2014, the Statement of Recommended Practice for registered social housing providers, FHC operates component accounting. This accounting treatment ensures that the major components of the Co-operative's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component is capitalised in the balance sheet with the item replaced being

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disposed of from the balance sheet. This enables the financial statements better to reflect the use of the component over its life cycle.

FHC's Management Committee approved a new Treasury Management policy. This aims to ensure the Co-operative manages its borrowing and investment arrangements to ensure that it is always in a position to meet its financial obligations as these fall due, and to meet the loan covenants of its lenders.

As at 31 March 2019, the Co-operative held £7.5m of borrowings, of which 6.1% on fixed interest rates. During the year we decided to refinance £6.6m of these loans.

The overall results for 2019 represent a positive financial performance for the Co-operative and informed FHC's budget and business plan for 2019/20 and beyond.

Rental income

The Co-operative's rent policy is a points-based system based on the size, type and facilities of the accommodation. The rental income requirements are reviewed annually to ensure that rents cover the required costs, however the rent policy and points value has not been reviewed in many years. In order to improve clarity, consistency and transparency for tenants, work will commence in 2019/20 to review the rent setting structure and policy.

Risk Management

The Management Committee, in developing its Business Plan, has analysed the risks facing FHC and identified and prioritised the principal risks which require regular monitoring by the Management Committee. The Audit, Risk & Finance Sub-Committee has delegated responsibility for monitoring and review of risks during the year, with the outcome of this reported to the Management Committee.

In February 2019 the Management Committee started to align its budgetary process with regulatory standards: an annual budget was approved and process agreed which would lead to approval of a five year strategic plan and the 30 year financial projections, with key risk areas identified. Performance monitoring was enhanced to ensure quarterly reporting to the Management Committee of variances from budget, updated forecasts for the year and information on key risk areas. New Financial Regulations were approved introducing approval procedures in respect of areas such as major contracts, tenders, expenditure and treasury management.

Auditors

During the year, French Duncan LLP were appointed external auditors of the Co-operative.

In accordance with Rules 69.1 and 70.1 a resolution to re-appoint the auditors, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting.

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2019**

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require The Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that year. 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 2010 and the Determination of Accounting Requirements - 2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

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

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
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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; and
- 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 misstatement or loss. Key elements of the Association's systems include ensuring that:

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

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
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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 2019. 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.

By order of Management Committee

Signature

A black rectangular redaction box covering the signature of the Secretary.

Carol Ferguson, Secretary

Date: 19/09/2019.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF FAIRFIELD HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 10 and 11 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 pages 10 and 11 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



French Duncan LLP

Chartered Accountants
Statutory Auditors

GLASGOW

Date: 25/09/2019.

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITORS REPORT TO THE MANAGEMENT COMMITTEE OF FAIRFIELD HOUSING CO-
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OPINION

We have audited the financial statements of Fairfield Housing Co-Operative Limited for the year ended 31 March 2019 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. 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.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements December 2014.

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 housing association in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our 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 the ISAs (UK) require us to report to you where:

- the committee members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the committee members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association'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 contained in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees 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.

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

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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 Co-operation and Community Benefit Societies Act 2014 requires us to report to you, if in our opinion:

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

RESPONSIBILITIES OF COMMITTEE MEMBERS

As explained more fully in the management committee's responsibilities statement set out on page 9, the committee members 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 the trustees 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 management committee are responsible for assessing the housing association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee members either intend to liquidate the housing association or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 the basis for our opinion. The risk of not detecting a material

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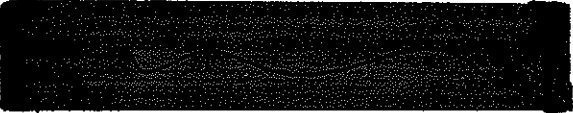
misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 housing association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.
- Conclude on the appropriateness of the trustees' 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 charitable 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 housing association to cease to continue as a going concern.

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.

USE OF OUR REPORT

This report is made solely to the Association's members, as a body, in accordance with Section 87 of 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.


French Duncan LLP
Chartered Accountants and Statutory Auditors
133 Finnieston Street
GLASGOW
G3 8HB

Date: 25/09/2019.

**FAIRFIELD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 restated £
REVENUE	2	2,346,060	2,150,023
Operating costs	2	<u>(1,989,203)</u>	<u>(1,701,985)</u>
OPERATING SURPLUS	2, 8	356,857	448,038
Loss on disposal of component replacements		(10,230)	-
Interest receivable and other similar income		41,645	7,731
Interest payable and other similar charges	7	(210,576)	(149,494)
Other Finance Charges	10	<u>(14,000)</u>	<u>(3,000)</u>
		<u>(193,161)</u>	<u>(144,763)</u>
SURPLUS FOR THE YEAR		163,696	303,275
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit pension scheme	25	(309,377)	-
Actuarial (loss) / gain recognised in the retirement benefit schemes	25	(69,000)	-
SHAPS pension adjustment		-	2,000
TOTAL COMPREHENSIVE INCOME		<u>(214,681)</u>	<u>305,275</u>

The results for the year relate wholly to continuing activities.

The notes on page 20 to 41 form part of these financial statements.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 restated £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	11(a)	31,354,593	28,687,769
Other tangible fixed assets	11(b)	<u>248,861</u>	<u>263,548</u>
		31,603,454	28,951,317
CURRENT ASSETS			
Debtors	13	129,257	173,416
Investments	14	2,000,000	2,807,500
Cash at bank and in hand		<u>988,782</u>	<u>1,018,766</u>
		3,118,039	3,999,682
CREDITORS: amounts falling due within one year	15	<u>(420,623)</u>	<u>(580,559)</u>
NET CURRENT ASSETS		<u>2,697,416</u>	<u>3,419,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,300,870	32,370,440
CREDITORS: amounts falling due after more than one year			
housing property loans	16	(7,295,048)	(7,518,823)
retirement benefit scheme deficit	16	-	(175,384)
PROVISIONS			
Net Pension Deficit	25	(567,000)	-
DEFERRED INCOME			
Social Housing Grants	18	(21,489,328)	(19,512,093)
Other Grants	18	<u>-</u>	<u>-</u>
		<u>4,949,494</u>	<u>5,164,140</u>
EQUITY			
Share capital	20	624	589
Restricted reserves	21	131,140	131,140
Revenue reserve	21	<u>4,817,730</u>	<u>5,032,411</u>
		<u>4,949,494</u>	<u>5,164,140</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 19/09/2019.



Chairperson



Vice Chairperson



Secretary

The notes on page 20 to 41 form part of these financial statements.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 restated £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>618,332</u>	<u>671,860</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	(3,315,767)	(1,875,566)	
Purchase of other fixed assets	-	-	
Social Housing Grant received	2,353,104	944,696	
Social Housing Grant repaid	-	-	
Changes in short term deposits with banks	807,500	(2,057,500)	
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(155,163)</u>	<u>(2,988,370)</u>
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING		463,169	(2,316,510)
FINANCING ACTIVITIES			
Issue of ordinary share capital	86	83	
Interest received	41,645	-7,731	
Interest paid	(210,576)	(152,494)	
Loan received	-	2,400,000	
Loan principal repayments	(324,308)	(176,327)	
NET CASH (OUTFLOW) / INFLOW FROM FINANCING		<u>(493,153)</u>	<u>2,078,993</u>
(DECREASE) IN CASH		(29,984)	(237,517)
OPENING CASH AND CASH EQUIVALENTS		<u>1,018,766</u>	<u>1,256,283</u>
CLOSING CASH AND CASH EQUIVALENTS		<u>988,782</u>	<u>1,018,766</u>

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital	Revenue Reserve	Restricted Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	589	5,032,411	131,140	5,164,140
Issue of Shares	86	-	-	86
Cancelled shares	(51)	-	-	(51)
Surplus for Year	-	163,696	-	163,696
Other Comprehensive Income	-	(378,377)	-	(378,377)
Balance as at 31 March 2019	<u>624</u>	<u>4,817,730</u>	<u>131,140</u>	<u>4,949,494</u>

	Share Capital	Revenue Reserve	Restricted Reserve	Total
	£	£	£	£
Balance as at 1 April 2017	547	4,276,711	131,140	4,408,398
Issue of Shares	83	-	-	83
Cancelled shares	(41)	-	-	(41)
Surplus for Year	-	303,275	-	303,275
Other Comprehensive Income	-	2,000	-	2,000
Prior Year Adjustment	-	450,425	-	450,425
Balance as at 31 March 2018	<u>589</u>	<u>5,032,411</u>	<u>131,140</u>	<u>5,164,140</u>

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

The Association is incorporated under the Co-operative and Community Benefits Societies Act 2014 and is registered by the Financial Conduct Authority. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Basis of Accounting

These Financial Statements have been 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 and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator.

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

Following the introduction of FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans), the Association now accounts for the SHAPS pension scheme on a defined benefit basis. Further details are given in the retirement benefits policy below.

The following principal accounting policies have been applied:

Going Concern

The Management Committee have assessed the Association's ability to continue as a going concern and have reasonable expectations that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue

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

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

Retirement Benefits

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

The Association accounts for the pension scheme on a defined benefit basis based on its share of scheme assets and liabilities as determined by the actuary. Defined benefit costs are recognised in the Statement of Comprehensive Income within operating costs. Actuarial gains and losses are recognised in Other Comprehensive Income.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Historically the scheme was accounted for as a defined contribution scheme as there was insufficient information for each social landlord's share of SHAPS to allow for defined benefit accounting. The liability previously recognised for the present value of the social landlord's deficit funding agreement has been derecognised. The difference between the deficit funding agreement liability social landlords historically recognised for SHAPS, and the net DB deficit for SHAPS, has been recognised in other comprehensive income (OCI). This accounting policy change has been accounted for in accordance with FRED 71: Draft Amendments to FRS 102: Multi-employer defined benefit plans as a matter of best practice. FRED 71 is an exposure draft and has not yet been implemented into financial reporting standards.

Further details of the scheme and its assumptions are included at note 25.

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.

Component	Useful Economic Life
Kitchens	15 years
Bathrooms	20 years
External Doors	40 years
Central Heating	15 years
Windows	40 years
Structure	60 years

Depreciation and Impairment of Other Non-Current Assets

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

Office Premises	2% Straight Line
Furniture and Equipment	20% Reducing Balance
Motor Vehicles	25% Reducing Balance

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

Social Housing Grant and Other Grants in Advance/Arrears

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

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same year as the expenditure to which it relates.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Sales of Housing Properties

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

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

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 the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Useful Lives of Other Fixed Assets

The useful lives of other fixed Assets are based on the knowledge of senior management at the Association with reference to expected asset life cycles.

Pension Liabilities

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Leases/Leased Assets

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

Works to Existing Properties

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

Development Interest

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

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 514 in which it manages its housing property for asset management purposes.

c) Pension liability

In May 2019 the Association received details from the Pension Trust of its share of assets, liabilities and scheme deficit. The Association has used this information as the basis of the pension defined benefit liability as disclosed in the accounts. The Management Committee consider this is the best estimate of their scheme liability.

Financial Instruments – Basic

The Association only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like rents, accounts receivable and payable, loans from banks and related parties.

These are recognised 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.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
 NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Note	2019		2018 restated		Operating surplus/ (deficit) £
		Revenue £	Operating Costs £	Revenue £	Operating Costs £	
Social letting activities	3	2,303,193	(1,939,560)	2,100,906	(1,636,355)	464,551
Other activities	4	42,867	(49,643)	49,117	(65,630)	(16,513)
Total		<u>2,346,060</u>	<u>(1,989,203)</u>	<u>2,150,023</u>	<u>(1,701,985)</u>	<u>448,038</u>

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
 NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	2019 Total £	2018 Total restated £
Revenue from lettings					
Rent receivable net of identifiable service charges	1,938,922	-	-	1,938,922	1,768,495
Service charges receivable	-	-	-	-	-
Gross rents receivable	1,938,922	-	-	1,938,922	1,768,495
Less rent losses from voids	(3,428)	-	-	(3,428)	(3,741)
Net rents receivable	1,935,494	-	-	1,935,494	1,764,754
Amortisation of Social Housing & Other Grants	367,699	-	-	367,699	336,152
Revenue grants from local authorities and other agencies	-	-	-	-	-
Other Revenue grants	-	-	-	-	-
Total income from social letting	2,303,193	-	-	2,303,193	2,100,906
Expenditure on social letting activities					
Management and maintenance administration costs	817,723	-	-	817,723	316,207
Service costs	74,979	-	-	74,979	-
Planned and cyclical maintenance including major repairs	143,267	-	-	143,267	293,367
Reactive maintenance	232,554	-	-	232,554	389,799
Bad debts - rents and service charges	40,494	-	-	40,494	15,055
Depreciation of social housing	630,543	-	-	630,543	621,927
Operating costs of social letting	1,939,560	-	-	1,939,560	1,636,355
Operating surplus / (deficit) on social letting activities	363,633	-	-	363,633	464,551
2018	464,551	-	-	464,551	

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs bad debts	Operating costs other	Operating surplus/ (deficit) 2019	Operating surplus/ (deficit) 2018 restated
	£	£	£	£	£	£	£	£	£
Stage 3 adaptations	12,922	-	-	-	12,922	-	(16,834)	(3,912)	1,034
Wider Role Activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Other income/ (expenditure)	-	-	-	-	-	-	-	-	1,548
Agency/management	-	-	-	-	-	-	-	-	-
Services for RSLs	-	-	-	29,945	29,945	-	(32,809)	(2,864)	(19,095)
Rechargeable Repairs	-	-	-	-	-	-	-	-	-
TOTAL FROM OTHER	12,922	-	-	29,945	42,867	-	(49,643)	(6,776)	(16,513)
TOTAL FROM OTHER	15,822	-	-	33,295	49,117	-	(65,630)	(16,513)	-

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

5. BOARD MEMBERS AND 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 Co-operative.

No emoluments have been paid to any member of the management committee.

The total paid to key management personnel during the year was £73,298.

	2019	2018
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	73,298	77,580
Emoluments payable to the director (excluding pension contributions)	73,298	77,580
Pension contributions paid on behalf of the director	15,081	14,692
	<hr/>	<hr/>

Number	Number
--------	--------

Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following range:

£70,001 - £80,000	<hr/> 1	<hr/> 1
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There were payments to board members during the year for reimbursement of expenses of £2,577 (2018 - £nil).

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION

	2019	2018
	£	£
Staff costs during the year:		
Wages and salaries	368,946	355,853
Social security costs	35,071	36,726
Other pension costs	53,143	49,174
	<u>457,160</u>	<u>441,753</u>

	Number	Number
The average number of full time equivalent persons employed during the year was	<u>11</u>	<u>11</u>

The average number of employees employed during the year was	<u>11</u>	<u>11</u>
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7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Bank loans and overdrafts	<u>210,576</u>	<u>149,494</u>

8. OPERATING SURPLUS FOR THE YEAR

	2019	2018
	£	restated £
Surplus is stated after charging/(crediting):		
Depreciation of tangible owned fixed assets	645,230	639,097
Auditors' remuneration - audit services	9,250	7,550
- other services	-	9,620
Operating lease rentals - land and buildings	-	-
- other	1,956	-
Amortisation of capital grants	<u>(367,699)</u>	<u>(336,152)</u>

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

9. TAX ON SURPLUS/(LOSS) ON ORDINARY ACTIVITIES

	2019	2018
	£	£
The tax charge/(credit) is made up as follows:		
Current Tax:	-	-
Corporation Tax at 21% (2018 – 21%)	-	-
Deferred Tax:	-	-
Fixed Asset timing differences	-	-
Short term timing differences	-	-

10. OTHER FINANCE CHARGES

	2019	2018
	£	£
Unwinding of discounted liabilities	-	3,000
Net interest expense on defined benefit pension scheme	<u>14,000</u>	<u>-</u>
	<u>14,000</u>	<u>3,000</u>

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

11. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting	Housing Properties in the Course of Construction	Shared Equity Properties Held for Letting	Total
	£	£	£	£
COST				
At start of year	33,769,301	-	-	33,769,301
Additions	3,315,767	-	-	3,315,767
Disposals	(48,802)	-	-	(48,802)
Transfers to stock	-	-	-	-
At end of year	<u>37,036,266</u>	<u>-</u>	<u>-</u>	<u>37,036,266</u>
DEPRECIATION				
At start of year	5,081,532	-	-	5,081,532
Charged during year	630,543	-	-	630,543
Eliminated on disposal	(30,402)	-	-	(30,402)
At end of year	<u>5,681,673</u>	<u>-</u>	<u>-</u>	<u>5,681,673</u>
NET BOOK VALUE				
At end of year	<u>31,354,593</u>	<u>-</u>	<u>-</u>	<u>31,354,593</u>
At start of year	<u>28,687,769</u>	<u>-</u>	<u>-</u>	<u>28,687,769</u>

Total expenditure on existing properties in the year amounted to £3,691,588 (2018 - £3,933,739). The amount capitalised is £3,315,767 (2018- £3,250,573), with the balance charged to the Statement of Comprehensive Income. The amounts capitalised can be further split between component replacements of £78,462 and additional units £3,237,305.

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

b) Other tangible assets	Office Premises £	Equipment £	Motor Vehicles £	Total £
COST				
At start of year	312,504	122,773	43,742	479,019
Additions	-	-	-	-
Disposals	-	-	-	-
At end of year	<u>312,504</u>	<u>122,773</u>	<u>43,742</u>	<u>479,019</u>
DEPRECIATION				
At start of year	86,669	102,939	25,863	215,471
Charged during year	6,250	3,967	4,470	14,687
Disposals	-	-	-	-
At end of year	<u>92,919</u>	<u>106,906</u>	<u>30,333</u>	<u>230,158</u>
NET BOOK VALUE				
At end of year	<u>219,585</u>	<u>15,867</u>	<u>13,409</u>	<u>248,861</u>
At start of year	<u>225,835</u>	<u>19,834</u>	<u>17,879</u>	<u>263,548</u>

12. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	1,808	-
Later than one year and not later than five years	3,573	2,600
Later than five years	-	1,534
	<u>5,381</u>	<u>4,134</u>

FAIRFIELD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS

13. DEBTORS

	2019	2018
	£	£
Arrears of Rent & Service Charges	109,180	145,526
Less: Provision for Doubtful Debts	<u>(43,394)</u>	<u>(27,203)</u>
	65,786	118,323
Other Debtors	21,388	44,140
Prepayments and accrued income	<u>42,083</u>	<u>10,953</u>
	<u>129,257</u>	<u>173,416</u>

14. INVESTMENTS

Short Term Deposits	2019	2018
	£	£
Short Term Deposits	<u>2,000,000</u>	<u>2,807,500</u>

15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	restated £
Housing Loans	216,939	319,798
Non-housing Loans	10,328	8,002
Trade Payables	56,520	100,561
Rent in Advance	66,351	54,232
Other Taxation and Social Security	7,883	9,661
Other Payables	87	11,166
Liability for Past Service Contribution Arrangements	-	61,239
Accruals and Deferred Income	<u>62,515</u>	<u>15,900</u>
	<u>420,623</u>	<u>580,559</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2019	2018
	£	restated £
Liability for Past Service Contribution Arrangements	-	175,384
Non-housing loans	189,034	155,808
Housing loans	<u>7,106,014</u>	<u>7,363,015</u>
	<u>7,295,048</u>	<u>7,694,207</u>

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16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (continued)

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

All of the Co-operative's bank borrowings are repayable either on a monthly/quarterly basis with the principal being amortised over the term of the loans.

Lender	Effective Interest Rate	Variable/Fixed
Clydesdale Bank	1.60%	Variable
Clydesdale Bank	4.92%	Fixed
Clydesdale Bank	2.30%	Variable
Clydesdale Bank	2.70%	Variable
Nationwide Building Society	1.27%	Variable
Nationwide Building Society	1.68%	Variable

The Bank loans are repayable as follows:

	2019	2018
	£	£
Between one and two years	231,146	331,069
Between two and five years	701,862	1,822,843
In five years or more	6,362,040	5,364,911
	<u>7,295,048</u>	<u>7,518,823</u>

17. STATEMENT OF CASH FLOWS

	2019	2018
	£	restated £
Reconciliation of operating surplus to balance as at 31 March 2019		
Operating Surplus	356,857	448,038
Depreciation	645,230	620,716
Amortisation of Capital Grants	(375,869)	(336,152)
Change in debtors	44,159	282,772
Change in creditors	1,836	(307,398)
Loss on sale of fixed assets	10,230	21,596
Past service pension deficit contributions	(64,060)	(57,671)
Cancelled Shares	(51)	(41)
Balance as at 31 March 2019	<u>618,332</u>	<u>671,860</u>

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18. DEFERRED INCOME

	2019	2018
	£	restated £
Social Housing Grants		
Balance as at 1 April 2018	19,512,093	19,307,379
Additions in year	2,353,104	944,708
Released / Repaid as the result of property disposal	(8,170)	(14,656)
Amortisation in Year	(367,699)	(336,152)
Prior year adjustment	-	(389,186)
Balance as at 31 March 2019	<u>21,489,328</u>	<u>19,512,093</u>

This is expected to be released to the Statement of Comprehensive Income as follows:

Amounts due within one year	367,699	336,152
Amounts due in one year or more	<u>21,121,629</u>	<u>19,175,941</u>
	<u>21,489,328</u>	<u>19,512,093</u>

19. PRIOR YEAR ADJUSTMENT

During the current year it was identified that the amortisation of social housing grant in relation to land had been under provided in prior periods amounting in total to £389,186. In addition it was identified that the pension liability was over-stated in the prior year by £61,239. The 2018 comparative figures have been updated to reflect both of these adjustments resulting in an increase in opening reserves in the current year of £450,425 as reflected in note 21 of these accounts.

20. SHARE CAPITAL

	2019	2018
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2018	589	547
Issued in year	86	83
Cancelled in year	(51)	(41)
At 31 March 2019	<u>624</u>	<u>589</u>

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21. RESERVES

Revenue reserves	2019	2018 restated
	£	£
At 1 April 2018	5,032,411	4,276,711
Surplus for year	163,696	303,275
Other Comprehensive Income	(378,377)	2,000
Prior Year Adjustment	-	450,425
At 31 March 2019	<u>4,817,730</u>	<u>5,032,411</u>

Restricted Reserves	2019	2018
	£	£
As at 1 April and 31 March	<u>131,140</u>	<u>131,140</u>

The Fairfield Trust Ltd transferred its assets to the Co-operative in 2016. The funds are restricted to the improvement of land and buildings in the Tulloch area of the City of Perth.

22. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2019 No.	2018 No.
General Needs - New Build	267	237
General Needs – Rehabilitation	<u>247</u>	<u>247</u>
	<u>514</u>	<u>484</u>

23. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102. The related party relationships of the members of the Management Committee are summarised as:

- Members are tenants of the Association
- Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee – £46,978.
- At the year-end total rent arrears owed by the tenant members of the Committee were £267.

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24. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 5 Fairfield Place Perth.

The Association is a Registered Social Landlord that owns and manages social housing in Perth.

25. RETIREMENT BENEFIT OBLIGATIONS

The Association participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the Scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

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25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Pension Scheme Liability movements:

	2019	2018
	£	£
As at 1 April 2018	236,623	293,294
Increase in liability for change in accounting treatment	309,377	-
Net Interest expense	14,000	3,000
Expenses	2,000	-
Deficit Contributions Paid	(64,000)	(57,671)
Impact of change in assumptions	69,000	(2,000)
As at 31 March 2019	<u>567,000</u>	<u>236,623</u>

As a result of the pension re-measurement basis during the year the movement in the pension liability of £309,377 is shown separately in the statement of Comprehensive Income.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2019	31 March 2018
	(£000s)	(£000s)
Fair value of plan assets	2,098	1,990
Present value of defined benefit obligation	2,665	2,536
Surplus (deficit) in plan	(567)	(546)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(567)	(546)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended
	31 March 2019
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

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25. RETIREMENT BENEFIT OBLIGATIONS (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	2,536
Current service cost	-
Expenses	2
Interest expense	66
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(125)
Actuarial losses (gains) due to changes in demographic assumptions	7
Actuarial losses (gains) due to changes in financial assumptions	198
Benefits paid and expenses	(19)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	2,665

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	1,990
Interest income	52
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	11
Contributions by the employer	64
Contributions by plan participants	-
Benefits paid and expenses	(19)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	2,098

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £63,000.

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25. RETIREMENT BENEFIT OBLIGATIONS (continued)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	-
Expenses	2
Net interest expense	14
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	16

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	11
Experience gains and losses arising on the plan liabilities - gain (loss)	125
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(7)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(198)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(69)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(69)

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25. RETIREMENT BENEFIT OBLIGATIONS (continued)

ASSETS

	31 March 2019	31 March 2018
	(£000s)	(£000s)
Global Equity	338	358
Absolute Return	178	236
Distressed Opportunities	36	9
Credit Relative Value	36	-
Alternative Risk Premia	117	75
Fund of Hedge Funds	6	57
Emerging Markets Debt	67	68
Risk Sharing	61	18
Insurance-Linked Securities	54	55
Property	42	79
Infrastructure	88	36
Private Debt	27	18
Corporate Bond Fund	147	139
Long Lease Property	25	-
Secured Income	73	73
Over 15 Year Gilts	54	64
Index Linked All Stock Gilts	-	-
Liability Driven Investment	747	701
Net Current Assets	2	4
Total assets	2,098	1,990

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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25. RETIREMENT BENEFIT OBLIGATIONS (continued)

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

KEY ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.36	2.60
Inflation (RPI)	3.24	3.13
Inflation (CPI)	2.24	2.13
Salary Growth	3.24	3.13
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

26. CAPITAL COMMITMENTS

	2019 £	2018 £
Expenditure contracted but not provided for in accounts	<u>-</u>	<u>1,200,000</u>
Expenditure authorised by the management committee not contracted for	<u>-</u>	<u>-</u>
Funded by:		
Social Housing Grant	-	-
Other grants and contributions	-	1,200,000
Reserves	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,200,000</u>

27. CONTINGENT LIABILITIES

At the year-end there may be potential liabilities in relation to a pending HR issue. Although the outcome of these matters cannot be predicted, the management has no reason to believe that any disposal of this matter will have a materially adverse effect on the organisation's financial position.