



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

Society name:

BARONY HOUSING ASSOCIATION LIMITED

Important information you should read before completing this form

You must use this form if you are a:

- registered society (previously referred to as an 'industrial and provident society')
- co-operative society
- community benefit society

registered under the Co-operative and Community Benefit Societies Act 2014.

You must submit this form and the society's accounts within 7 months of the end of your financial year. Failure to submit is an offence for which the society may be prosecuted.

Please note:

- we have an information note that may assist you in completing this application
- any personal details you give on the form will be placed on the society's public file.
- it is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to process your annual return.

Please keep a copy of the form and supporting documents for future reference.

Terms in this form

'FCA', 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014



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For societies registered under the Co-operative and Community Benefit Societies Act 2014

Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print the completed form and arrange for it to be signed by all relevant individuals.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed and dated by all relevant individuals.

3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will treat the application as incomplete. This will increase the time taken to assess your application.

5 If there is not enough space on the form, you may use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6 Email a scanned copy of the signed form and supporting documents to

mutualsannrtns@fca.org.uk

or send it by post to:

Mutuals Team
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
LONDON
E14 5HS

7. Please make sure you include:

- this form
- a set of printed accounts – signed by two members and the secretary (3 signatures in total)
- an audit report or accountant's report where required; and
- any supporting documents.

1

Details of society

1.1 Details of the society

Register number	1684RS
Registered office address	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL

1.2 Year end date (dd/mm/yyyy)

See Note 1.2

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Committee of management

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

1.3 Details of Chairman

Name	MARTIN KELSO
Address	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL
Year of birth	1959
Business occupation and other directorships	WHEATLEY HOUSING GROUP LIMITED WHEATLEY SOLUTIONS

1.4 Details of Treasurer

Name	N/A
Address	
Postcode	
Year of birth	
Business occupation and other directorships	

1.5 Details of Secretary

Name	ANTHONY ALLISON
Address	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL
Year of birth	1980
Business occupation and other directorships	ASSISTANT DIRECTOR OF GOVERNANCE

1.6 Details of Members of the Committee

Name	Address	Year of birth	Business occupation and other directorships
MARTIN KELSO (CHAIRMAN)	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1959	WHEATLEY HOUSING GROUP LIMITED , WHEALTLEY SOLUTIONS
AMANDA MILLER	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1967	DIRECTOR OF HOUSING SERVICES
LINDSEY MCNEILL	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1978	DIRECTOR OF GOVERNANCE AND ASSURANCE SCOTTISH POLICE AUTHORITY
GEORGE HOTCHKISS	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1959	ASSISTANT PRINCIPAL WEST LOTHIAN COLLEGE
RUTH KYNOCH	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1972	ACCOUNTANT
HELEN HOWDEN	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1968	SOLICITOR

Please use separate sheets of paper if you need more space, following the instructions provided in section 5 above.

Please indicate how many separate sheets of paper you have used

1

Please continue, answering all questions.

- 1.7 Are any members of the society's committee disqualified as directors under the Company Director Disqualification Act 1986?**

☒ No
☐ Yes

- 1.8 Does the society carry out any activity which is regulated under the Financial Services and Markets Act 2000? (e.g. accepting deposits in a form other than withdrawable shares; offering insurance products; undertaking residential mortgage**

business). If 'yes' please state the society's Financial Services Register firm reference number

- ☒ No
☐ Yes

Financial Services Register firm reference number

1.9 Is the society a subsidiary of another society?

- ☒ No
☐ Yes

1.10 Does the society have one or more subsidiaries?

- ☒ No
☐ Yes

1.11 Is the society currently accepted by the HM Revenue and Customs as a charity for tax purposes?

- ☐ No
☒ Yes

Please confirm you have attached a copy of the letter from HM Revenue and Customs confirming charitable tax status:

- ☒ Yes

1.12 Is this society a charity registered with the Office of the Scottish Charity Regulator (OSCR)?

- ☐ No
☒ Yes ▶ provide your Scottish Charity number below

SCO16030

1.13 Is the society registered with one of the following (please tick)?

- ☐ Homes and Communities Agency
☐ The Welsh Ministers
☒ Scottish Housing Regulator

If so, please provide your register number

HEP69

All societies must answer the following questions:

- if a **bona fide co-operative society** go to question 1.14
- if **existing for the benefit of the community** go to question 1.19

Bona fide co-operative society

1.14 How did members benefit from the business, industry or trade of the society during the year?

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1.15 Is membership of the society required to obtain the benefits offered by it?

☐ Yes

☐ No

1.16 In what way did members participate in an ongoing basis in the society's primary business during the year?

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1.17 How did members democratically control the society?

--

1.18 How did the society use any surplus/profit?

If the society distributed the surplus/profit to members please explain how this was done.

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Please use separate sheets of paper if you need more space (see section 5 above)

Please indicate how many separate sheets of paper you have used.

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Continue to 2.1

Community benefit society

1.19 Who are the community the society benefited?

BARONY'S VISION OF A SOCIETY IN WHICH EVERY PERSON IS ENABLED TO LEAD A FULL AND ACTIVE LIFE AND AS A GOOD QUALITY, SAFE AND AFFORDABLE HOME ENVIROMENT.

BARONY PROVIDES A RANGE OF FLEXIBLE, RESPONSIVE AND HIGH QUALITY SERVICES, DEFINED BY THE PEOPLE WHO USE THEM, WHICH CAN BE ACCESSED WHEN THEY ARE NEEDED. THESE INCLUDE:

- HOUSING ACCOMODATION AND LANDLORD SERVICES
- CARE AND SUPPORT TO ENABLE PEOPLE TO LIVE INDEPENDENTLY IN THEIR OWN HOME
- SERVICES AND SUPPORT TO ENABLE ACTIVE COMMUINITY INVOLVEMENT

1.20 How did the society benefit that community during the year?

BARONY HAS APPROXIMATELY 400 SOCIAL HOUSING PROPERTIES ACROSS WEST Lothian , EDINBURGH, FIFE , FALKIRK, STIRLING AND CLACKMANNANSIRE. FOR APPROXIMATELY 250 OF THESE PROPERTIES, BARONY PROVIDES A LANDLORD SERVICE ONLY, FOR THE REMAINDER BARONY PROVIDES BOTH A LANDLORD SERVICE AND A CARE AND SUPPORT SERVICE.

BARONY PROVIDES CARE AND SUPPORT SERVICES TO APPROXIMATELY 630 PEOPLE, MANY IF WHOM DO NOT LIVE IN A BARONY PROPERTY. THESE SERVICES INCLUDE SHARED ACCOMODATION BASED SERVICES WITH A PERMANENT ON -SITE STAFF PRESENCE , VISITING SUPPORT TO PEOPLE LIVING IN THEIR OWN HOMES AND SAY SERVICES TO PEOPLE ACCESSING ONE OF OUR CONTACT POINT DROP IN CENTRES.

1.21 How did the society use any surplus/profit?

BARONY REINVESTS ANY SURPLUSES GENERATED INTO IMPROVEMENTS TO OUR SERVICES TO OUR PROPERTIES AND SERVICES TO THE BENEFIT OF BARONY TENANTS AND SERVICE USERS.

Please use separate sheets of paper if you need more space (see section 5 above).

Please indicate how many separate sheets of paper you have used.

0

Continue to 2.1

2 Statistics

Account details

2.1 You must enter the figures below

See notes for help on items E-T. Enter NIL where applicable

A	Members at beginning of year	59
B	Members ceased during year	0
C	Members admitted during year	1
D	Members at end of year	60
E	Turnover for year	£6,935,000
F	Total of income and expenditure (receipts and payments added together)	£314,000
G	Net surplus/(deficit) for year	£534,000
H	Fixed assets	£14,142,000
I	Current assets	£1,810,000
J	Total assets (equal to amount in row O, below)	£18,177,000
K	Current liabilities	(£1,424,000)
L	Share capital	£60 [rounded down to zero for accounting purposes purposes of accounting rounded down to zero]
M	Long-term liabilities	(£2,783,000)
N	Reserves	£13,970,000
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	£18,177,000
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other registered societies	0
Q	Loans from members	0
R	Loans from Employees' Superannuation Schemes	0
S	Dividends on sales	0
T	Share interest	0

2.2 Names of subsidiaries as defined in sections 100 and 101 of the Co-operative and Community Benefit Societies Act 2014

N/A

2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FCA)

The society must have written authority from us to exclude a subsidiary from group accounts

N/A

3

The audit

3.1 Type of audit used for the attached accounts.

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- ☒ Full professional audit ▶ Continue to section 4
- ☐ Accountant's report ▶ Complete questions 3.2 and 3.3
- ☐ Lay audit ▶ Complete questions 3.2 and 3.3
- ☐ Unaudited ▶ Complete questions 3.2 and 3.3

3.2 Do the society's registered rules allow the society not to undertake a full professional audit?

- ☐ No
- ☐ Yes

3.3 Has the membership passed at a general meeting a resolution allowing the society not to undertake a full professional audit for the year of account in question? (In accordance with section 84 of the Co-operative and Community Benefit Societies Act 2014)

- ☐ No
- ☐ Yes

4

Accounts and signature

Accounts

- 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

1	4	/	0	9	/	2	0	1	7
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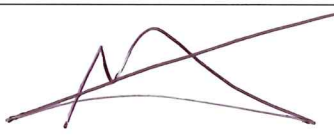
- 4.2 Has your society produced accounts to the minimum standard required?

- ☒ Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members. ☒ Attached
- ☐ No ▶ you must produce accounts to the minimum standard required, see notes for details.

Signature – all societies to complete

- 4.3 The Secretary of the society must sign and date below

I certify that the information in this form is correct to the best of my knowledge and belief.

Name	ANTHONY ALLISON
Signature	
Phone number	0141 274 6270
Email	anthony.allison@wheatley-group.com
Date	31/10/2017

Barony Housing Association Limited: AR30 Continuation 2017

1.6 Details of Members of the Committee

Name	Address	Year of Birth	Business Occupation and other directorships
ALASTAIR MURRAY	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1973	ACCOUNTANT
LESLEY WATT	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	1964	ACCOUNTANT

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2017

Barony Housing Association Limited

(Co-operative and Community Benefit Society No. 1684RS)
(Scottish Housing Regulator Registration No. HEP69)
(Scottish Charity No. SCO16030)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

Principal Activities

The principal activities of Barony Housing Association Limited ("Barony", or "the Association") are the provision and management of affordable rented accommodation and care services. Barony Housing Association Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (formally the Industrial and Provident Societies Acts) and was founded in 1971. Barony is a Scottish Charity and a Registered Social Landlord.

Barony joined the Wheatley Housing Group Limited ("Wheatley Group", "Wheatley" or "the Group") on 1 April 2016.

OPERATING REVIEW

Barony Housing Association has had a busy and successful year since joining the Wheatley Group and introduced a number of improvements across a number of services.

The focus for the year was delivering on the eight promises made to tenants at the time of joining the Wheatley Group in Spring 2016. Barony delivered on all but one – access to online self-services for customers – which is due later in 2017. The promises were all about improving services and included everything from out-of-hours customer service and fuel advice to low-cost home insurance and more employment and training opportunities.

One of the key promises was to upgrade and improve homes with a record £1.5m investment over five years. This got off to a great start with £250,000 invested during the 2016/17 financial year in new bathrooms, kitchens, boilers and windows.

Since joining Wheatley, Barony has been able to introduce the Living Wage rate of pay for Support Assistants across our care and support services.

The improvements made to services have been achieved against a backdrop of steady business performance in housing services. Our overall customer satisfaction rose from 87.45% to 90.68%, 100% of complaints were resolved within timescale, up from 80% last year, and the percentage of tenancies sustained for more than a year went up to 89% from 75%.

Some tenants still struggle to pay their rent, put food on the table, and keep their homes - and tackling these issues is a major focus for Barony. New specialist advisors helped customers save money on their energy bills, and claim benefits they were entitled to.

Together with fellow partner organisations in Wheatley, Barony was able to give people living in its homes opportunities to access apprenticeships and trainee placements.

The focus over the first year of being a partner in Wheatley has very much been on integrating housing services so that tenants could access all the benefits available through the Group.

Over the next year, that focus will turn to building on the success of Barony's care services. The strategic ambition is to achieve Care Inspectorate gradings of 5 (very good) or 6 (excellent) for all care services by 2020. This year all five of our areas registered with the Care Inspectorate were assessed, with the services receiving seven grade 5s and 3 grade 4s.

OPERATING REVIEW (continued)

While this represents good progress towards that aim, the Association is determined to do even more in the year ahead. Barony is now working more closely with Loretto Care, a Wheatley partner, to share expertise, experience and resource. This will see Barony embed Wheatley's 'W.E. Care' approach of highly personalised services and introduce further innovations in the way support is delivered to vulnerable people.

A number of Board members stepped down in September 2016 at the AGM. All three – Catherine Lowe, Simon Guest and Iris McMillan – gave years of support and commitment.

Some other highlights of the year include:

Our homes

Work began to modernise and maintain Barony's homes, investing £351,000 as part of a larger £1.5m planned investment over the next five years. The work for the year focused on installing 46 new bathrooms, six kitchens and 11 boilers while 13 homes received new windows.

By the end of the five-year plan every Barony customer will have affordable heating systems, more than 57% will have new bathrooms and showers and more than 59% will have a new kitchen.

Barony has 353 homes at the end of the financial year 2016/17 with 100% of them meeting the Scottish Housing Quality Standard.

Environmental services

Wheatley unveiled plans to invest £20million over five years, strengthening environmental services across neighbourhoods. This involved restructuring the teams and recruiting almost 200 new staff including apprentices and trainees. As part of this, plans have been developed for improved environmental services for Barony's communities.

From July 2017, customers in West Lothian and Edinburgh areas will benefit from a new Neighbourhood Environmental Team ("NETS"). The teams will carry out grass cutting and stair cleaning to keep neighbourhoods attractive. As part of Barony's mission to create communities people are proud to live in, a new partnership with Keep Scotland Beautiful was launched, which is involving tenants in assessing, grading and improving neighbourhoods.

New head of housing

Alex Lamb was appointed as Barony's new Head of Housing. Alex was previously a housing officer at another Wheatley Group subsidiary, West Lothian Housing Partnership, and has worked in housing for 23 years.

Alex succeeds Alan Glasgow who took up a role as Director of Housing at Dunedin Canmore Housing Association Limited ("Dunedin Canmore"), another Group subsidiary.

Moving offices

Staff who were based at Barony's former headquarters in Canal Court, Edinburgh, moved to new offices in New Mart Road in Edinburgh and North Bridge Street in Bathgate, West Lothian. The premises are shared with colleagues from Dunedin Canmore Housing Association Limited and West Lothian Housing Partnership Limited. Both are accessible to customers and will have spaces dedicated to staff learning and development as part of Wheatley's network of Academies.

OPERATING REVIEW (continued)

A new repairs service

The Association's ambition to create a modern, local and more efficient repairs and maintenance service took a major step forward over 2016/17.

Dunedin Canmore's Property Services Team took over responsibility for delivering repairs and investment services. Meanwhile the parent company, Wheatley, agreed a new joint venture with Glasgow City Council which saw it become 50/50 joint owner of City Building (Glasgow) on 1 April, 2017.

This gives all the partners in Wheatley an opportunity to work together to reshape our repairs service, designing a service which will deliver consistent excellence for customers no matter where they live. Work on this is under way with Barony playing a key role.

Improving performance

Barony achieved improvements in performance against a number of performance measures which are reported to the Scottish Housing Regulator. For 12 out of 25 of these measures - or 48% - Barony finished in the top quartile when benchmarked with other Registered Social Landlords (RSLs).

Performance highlights for the year included:

- customer satisfaction at 90.68%, up from 87.45% last year;
- 100% of new tenants were satisfied with the quality of their home when they moved in;
- 100% of complaints responded to in full, up from 80%;
- 89.13% of tenancies were sustained for more than a year, up from 75%;
- 93.17% of tenants feel their landlord is good at keeping them informed; and
- 88.20% are satisfied with the management of their neighbourhood.

Awards and accreditations

Barony achieved Investors in People (IiP) Gold after assessment in March 2017. Barony also played a part in Wheatley, the parent company:

- regaining Customer Service Excellence accreditation with 19 'compliance plus' marks, a record number and up from 16 the previous year;
- being ranked no 47 in the Sunday Times list of best not-for-profit organisations to work for; and
- making it into 24 Housing magazine's top 10 social landlords in the UK.

Rent campaign

The Association participated in Wheatley Group's Rent Matters annual rent campaign this year.

The campaign, which urged customers to Put Rent First, invited people who were facing difficulties to get in touch and access the wide range of help and support the Association have available. The campaign materials, which included, posters, newsletter articles and content on our website, also made clear to customers what their rent pays for.

The "WinterReady" campaign saw older tenants get a free home check to make sure all their pipes, radiators and their boiler were in good order for the cold snap. A total of 30 Barony customers benefited from a "WinterReady" check.

Jobs and training opportunities

Wheatley's new charitable trust, the Wheatley Foundation Limited, funds a range of employability initiatives targeted at tenants, owners and their families. These include apprenticeships as well as traineeships and Wheatley Pledge, a scheme which incentivises suppliers to do even more for the Group's communities.

OPERATING REVIEW (continued)

The scale of the Group's new-build and investment programmes also means Wheatley can create or support opportunities for people from the Group's communities to access jobs and training each year.

In total, 619 opportunities for people in Wheatley communities were created. One person from a Barony home secured a Changing Lives traineeship. This is a new scheme aimed at supporting people who need extra help to get into work or training. The traineeships last for a year and involve working and learning skills alongside the environmental teams.

Helping tenants save money

We continue to support our tenants in a wide range of ways. For example we helped tenants to save £9,078 on their fuel bills over the year.

Barony's fuel advisor provides free expert advice to tenants on cutting their energy bills and keeping their homes warm. The advisor can help tenants access the cheapest tariffs, arrange low-cost payment arrangements and, depending on their circumstances, help them make arrangements to address long-term debt.

A total of 47 tenants used the fuel advice service in 2016/17 – and saved on average £193 on their bills.

Care and support services

The Association's five service areas which are registered with the Care Inspectorate were assessed during the year. These are:

- Logie Road in Stirling – our only Registered Care Home;
- Falkirk – covering four services;
- Fife – covering three services;
- West Lothian – covering five services; and
- Edinburgh – covering seven services.

Of the 10 themes assessed, which included care and support, staffing and management, 70% of them were graded a 5 (very good) with the others graded 4 (good).

The aim is to achieve grades of 5 or above for all services by 2020 and Barony is currently working with Loretto Care to introduce further improvements based on the Care Inspectorate's recommendations.

Supporting personal outcomes

Staff work closely with service users to help them achieve their own personal outcomes and live life to the full.

One group of people from Barony's ground-breaking Contact Point service certainly did that when they sang and played to a packed audience in Kirkcaldy. Contact Point, based in Edinburgh, Kirkcaldy and Buckhaven, helps people who are living with mental health issues. The drop-in service provides a programme of activities and a safe place where people can get emotional, social and practical support.

Talented musicians from the music group played a range of songs from traditional Scottish music to Thin Lizzy and Van Morrison in front of friends, family and staff. Everyone who took part said it has boosted their confidence and gave them a sense of achievement.

OPERATING REVIEW (continued)

Helping health and wellbeing

The Association supported service users to improve their health and wellbeing in other ways.

For example, at the Abbotsford Street supported living service in Falkirk, a new minibus specially adapted for four wheelchair users was introduced. It means people can get out more and enjoy life without having to rely on taxis.

Service users at the Ardmillan Terrace service in Edinburgh have a new visitor every fortnight. Willow the dog, a 'Therapet', comes with his owner every two weeks and brings calm and comfort to people at the service.

Independent auditor

The directors appointed KPMG LLP to act as auditor of the financial statements for the financial year ended 31 March 2017. A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2017 totalled £6.9m (2016: £6.7m). The main source of income for the Association includes the provision of care services of £4.6m (2016: £4.4m). The remainder of the Association's income is primarily derived from the social rental of housing property, with net rental income of £2.4m (2016: £2.4m).

Expenditure

Operating costs of the Association in the year totalled £6.6m (2016: £6.8m), largely comprising of the following:

- Care activity costs of £4.6m (2016: £5.0m), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £0.8m (2016: £0.8m).
- Service costs of £0.4m (2016: £0.2m).
- £0.2m of reactive maintenance costs to our social letting properties (2016: £0.2m).
- £0.1m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2016: £0.2m).
- Depreciation expenditure for social and non-social housing assets of £0.5m (2016: £0.3m).

The Association generated an operating surplus of £0.3m (5%) (2016: £0.0m result (0%)).

Other expenditure in the year includes £0.2m of interest due on loan funding (2016: £0.3m).

Total comprehensive surplus for the year of £3.9m (2016: surplus of £2.9m) includes an increase in valuation of social housing properties of £0.4m (2016: increase of £0.6m) and a gain of £3.3m (2016: gain of £2.6m) in respect of the Lothian Pension Fund.

Cashflows

The cash flow statement of the Association is shown on page 18. Barony generated £0.8m from operating activities (2016: £0.8m), in line with prior year. Savings realised through integration with Wheatley Housing Group systems have enabled Barony to award a pay increase to the lowest paid Care staff, meeting Real Living Wage rates from October 2016 onwards. Cash and cash equivalents in the year decreased by £1.5m (2016: increased by £0.3m).

Rental debtors

At the statement of financial position date, the Association has rent arrears of £0.1m offset by bad debt provisions of £0.0m (2016: £0.1m and £0.0m respectively).

Liquidity

The Associations net current asset at 31 March 2017 totalled £0.4m, a decrease of £1.3m in the year. This is due to a net £1.8m repayment of loans upon joining the Wheatley Group, and investment in existing properties. The Association has access to funding through a Group facility which ensures the Group does not default on liabilities as they fall due.

Capital structure and treasury

The Group's activities are funded on the basis of a Business Plan which is updated annually. Barony Housing Association's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited, as detailed in note 17. The Association has access to an intra-group facility of £2.7m. Interest rate risk is managed at a group level by Wheatley Funding No. 1 Limited.

FINANCIAL REVIEW (continued)

Investment in tenants' homes

During the year we invested £0.4m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £13.6m (2016: £13.3m)

Reserves Policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserves include any historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

The revenue reserve may include revaluation gains on investment properties, such as any mid-market rent homes which are owned by the Association. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in any mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

The residual amount of revenue reserves, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

Principal risks facing the Association

The Board is responsible for assessing the risks facing The Barony Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

FINANCIAL REVIEW (continued)

Principal risks facing the Association

The Board is responsible for assessing the risks facing The Barony Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board



Martin Kelso, Chair
30 August 2017

8 New Mart Road
Edinburgh
EH14 1RL

BARONY HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Because of the complexity and range of its business activities in providing both housing and community care services Barony, at all times, seeks to recruit and retain Board of Management membership drawn from the various areas of expertise in care, housing, finance, legal administration and from a tenant perspective necessary for the responsible oversight of its activities.

Board of Management members are elected for a three year period with one third of the membership standing down annually. Recruitment is by public advertisement with selection made with a view to maintaining the knowledge level available to the association in its Board of Management.

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

The Board of Management meets at least six times a year to receive reports on all of the Association's activities. At 31 March 2017 there were 8 members (2016: 10 members) of the Barony Housing Association Board:

The members of the Board during the year are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Group Directorships
Martin Kelso (Chair)	27 September 2012	24 September 2015	-	Wheatley Housing Group Limited
Catherine Lowe	21 September 2006	-	22 September 2016	Cube Housing Association Limited
Iris McMillan	18 September 2008	-	22 September 2016	-
Donald Martin	18 September 2008	21 September 2016	-	-
Amanda Miller	22 September 2010	24 September 2015	-	-
Simon Guest	22 September 2010	-	22 September 2016	-
Lindsey McNeill	27 September 2012	25 September 2014	-	-
George Hotchkiss	27 September 2012	25 September 2014	-	-
Sheila McKenzie	24 September 2015	-	-	-
Helen Howden	24 September 2015	-	-	-
Ruth Kynoch	27 October 2016	-	-	-

Political and charitable donations

No political or charitable donations were made by Barony in the year.

Creditor payment policy

Barony agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

BARONY HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS (continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Martin Kelso, Chair
30 August 2017

8 New Mart Road
Edinburgh
EH14 1RL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BARONY HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Barony Housing Association Limited for the year ended 31 March 2017 set out on pages 15 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2015 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 12, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31 March 2017 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2015; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2015 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BARONY HOUSING ASSOCIATION LIMITED (continued)

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 11:

- does not provide the disclosures required by the relevant Regulatory Standards for RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

Andrew Shaw

Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

319 St Vincent Street

Glasgow

G2 5AS

7 September 2017

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2017**

	<i>Notes</i>	2017 £'000	2016 Restated (see Note 22) £'000
Turnover	3	6,935	6,740
Operating expenditure	3	(6,621)	(6,787)
Operating surplus/(deficit)		314	(47)
Finance income	9	4	16
Finance charges	10	(187)	(262)
Reversal of previous decrease in valuation of housing properties	13	403	597
Surplus/(deficit) for the financial year		534	304
Actuarial gain in respect of pension schemes	19	3,332	2,608
Total comprehensive income for the year		3,866	2,912

All amounts relate to continuing operations.

The notes on pages 19 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 April 2016	7,192	7,192
Surplus for the year	304	304
Actuarial gain in respect of pension schemes (Restated – See Note 22)	2,608	2,608
Balance at 31 March 2016	<u>10,104</u>	<u>10,104</u>
Surplus for the year	534	534
Actuarial gain in respect of pension schemes	<u>3,332</u>	<u>3,332</u>
Balance at 31 March 2017	<u>13,970</u>	<u>13,970</u>

All amounts relate to continuing operations.

The notes on pages 19 to 35 form part of these financial statements.

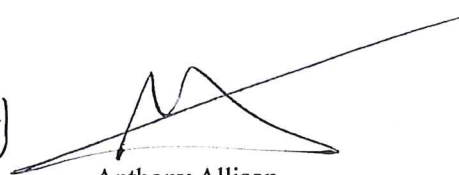
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	<i>Notes</i>	2017 £'000	2016 £'000
Fixed assets			
Social housing properties	13	13,569	13,274
Other tangible fixed assets	13	<u>573</u>	<u>606</u>
		<u>14,142</u>	<u>13,880</u>
Pension asset	19	2,227	-
Current assets			
Trade and other debtors	14	535	477
Cash and cash equivalents		<u>1,273</u>	<u>2,788</u>
		<u>1,808</u>	<u>3,265</u>
Creditors: amounts falling due within one year	16	(1,424)	(1,607)
Net current assets		<u>384</u>	<u>1,658</u>
Total assets less current liabilities		16,753	15,538
Creditors: amounts falling due after more than one year	17	(2,783)	(4,412)
Provisions for liabilities			
Pension liability	19	-	(1,022)
Total net assets		<u><u>13,970</u></u>	<u><u>10,104</u></u>
Reserves			
Share capital	18	-	-
Revenue reserve including pension reserve		<u>13,970</u>	<u>10,104</u>
Total reserves		<u><u>13,970</u></u>	<u><u>10,104</u></u>

These financial statements were approved by the Board on 17 August 2017 and were signed on its behalf on 30 August 2017 by:


Martin Kelso
Chair


Helen Howden
Board Member


Anthony Allison
Secretary

The notes on pages 19 to 35 form part of these financial statements.

Charity registration number SC016030.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	<i>Notes</i>	2017 £'000	2016 £'000
Net cash generated from operating activities	21	<u>808</u>	<u>786</u>
Cash flow from investing activities			
Improvement of properties – housing stock	13	(344)	(95)
Purchase of other fixed assets	13	(12)	(60)
Grants received	16	-	-
Finance income	9	<u>4</u>	<u>16</u>
		(352)	(139)
Cash flow from financing activities			
Finance charges		(151)	(153)
Financing draw down		2,700	-
Repayments of borrowings		<u>(4,520)</u>	<u>(151)</u>
		(1,971)	(304)
Net change in cash and cash equivalents		<u>(1,515)</u>	<u>343</u>
Cash and cash equivalents at beginning of the year		2,788	2,445
Cash and cash equivalents at end of the year		1,273	2,788
Cash and cash equivalents at 31 March			
Cash		1,273	2,788
Bank overdraft		<u>-</u>	<u>-</u>
		<u>1,273</u>	<u>2,788</u>

The notes on pages 19 to 35 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Legal status

Barony Housing Association ("Barony" or "the Association") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1684RS and is a registered Scottish charity No. SC016030. Barony is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activities of the Association are the provision of social housing with the associated services for general needs and supported accommodation, and community care services.

The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Barony Housing Association Limited is a public benefit entity.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included within the Determination of Accounting Requirements 2012, and under the historic cost accounting rules, modified to include the revaluation of properties held for letting. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102 (FRS 102). The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Association and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock and provision of care services.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

Related party disclosures

The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, contractual income receivable from Local Authorities and Health Boards, fees receivable, revenue grants and other income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

Financial Instruments

Loans provided by Wheatley Funding Number 1 Limited ("WFL1") are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Pensions

The Association participates in both a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF"), and a Social Housing Pension Scheme ("SHPS") defined contribution scheme administered by the Pensions Trust.

The LPF is administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. The LPF provides benefits based on final pensionable pay. Assets and liabilities of LPF are held separately from those of the Association.

The Association accounts for its participation in LPF in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The LPF liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the LPF surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of comprehensive income under actuarial gain or loss on pension schemes.

Fixed assets – housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

• **Valuation of Social Housing Stock**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUUV-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

• **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Economic Life
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

	Economic Life
Internal works & common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical & Plumbing	25 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

• New Build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG is recognised as income in the statement of comprehensive income when new build properties are completed or the capital work carried out under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

Other tangible fixed assets

For other tangible fixed assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

	Economic Life
Office equipment (cost)	5 yrs
Computer equipment (cost)	3 – 7 yrs
Office Improvements (cost)	10 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at least every 5 years.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions

The Association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

Taxation

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT.

3. Particulars of turnover, operating costs and operating surplus/(deficit)

			2017	2016
	Turnover	Operating Costs	Operating surplus/(deficit)	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	2,357	(1,986)	371	558
Other activities (note 5)	4,578	(4,635)	(57)	(605)
Total	6,935	(6,621)	314	(47)
Total for previous reporting period	6,740	(6,787)	(47)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

4. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs £'000	Supported Housing £'000	Other – Registered Care Homes £'000	2017 Total £'000	2016 Total £'000
Rent receivable net of service charges	1,207	560	51	1,818	1,835
Service charges	16	528	19	563	590
Gross income from rents and service charges	1,223	1,088	70	2,381	2,425
Less rent loss from voids	(6)	(15)	(3)	(24)	(55)
Net income from rents and service charges	1,217	1,073	67	2,357	2,370
Grants released from deferred income	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from affordable letting activities	1,217	1,073	67	2,357	2,370
Management and maintenance administration costs	506	262	14	782	845
Service costs	16	426	6	448	238
Planned and cyclical maintenance including major repairs costs	62	54	5	121	170
Reactive maintenance costs	148	16	-	164	217
Bad debts – rents and service charges	14	(4)	-	10	(4)
Depreciation of affordable let properties	403	55	3	461	346
Operating costs for affordable letting activities	1,149	809	28	1,986	1,812
Operating surplus for affordable letting activities	68	264	39	371	558
Operating activities for affordable letting activities for the previous reporting period	87	447	24	558	

The prior year disclosure of service costs and planned and cyclical maintenance including major repair costs have been restated to better reflect the allocation of costs to social letting, repairs and maintenance and other activities in notes 4 and 5. This is in line with the definition of other activities within the SORP and guidance issued by the Scottish Housing Regulator. Comparative figures have been restated on the same basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017
(continued)

5. Particulars of turnover, operating costs and operating surplus from other activities

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2017 Operating Surplus / (Deficit) £'000	2016 Operating Surplus / (Deficit) £'000
Registered Care	-	-	228	228	(252)	(24)	(27)
Housing Support	2,861	936	113	3,910	(3,893)	17	(544)
Day Care	440	-	-	440	(441)	(1)	(34)
Organisation Restructuring	-	-	-	-	(49)	(49)	-
Total from other activities	3,301	936	341	4,578	(4,635)	(57)	(605)
Total from other activities for the previous reporting year	2,952	1,062	356	4,370	(4,975)	(605)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

6. Board members' emoluments

Board members received £930 (2016: £1,272) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

7. Key management emoluments

	2017 £'000	2016 £'000
Aggregate emoluments payable to key management (including employers pension contributions and benefits in kind)	94	74
Emoluments payable to highest paid key management	80	63
Employer pension contributions	14	11
Total emoluments payable to the highest paid key management	94	74

During the period the key management's emoluments (excluding pension contributions) fell within the following band distributions:

More than £60,000 but not more than £70,000	-	1
More than £70,000 but not more than £80,000	1	-

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There was one senior officer in post at 31 March 2017. Key management personnel in the year were as follows:

Rebecca Wilson	Director
----------------	----------

8. Employees

	2017 No.	2016 No.
The average monthly number of full time equivalent persons employed during the year was	225	215
The average total number of employees employed during the year was	155	159
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,719	3,759
Social security costs	282	235
Employer's pension costs	319	358
FRS102 pension adjustment	47	256
	4,367	4,608

In addition to the above staff costs the Association incurred agency staff costs of £202k during the year (2016: £296k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

9. Finance income

	2017 £'000	2016 £'000
Bank interest receivable on deposits in the year	4	16

10. Finance charges

	2017 £'000	2016 £'000
Interest on housing loans	-	153
Interest on intra group loans	151	-
Net interest charges on pension liability	36	109
	<u>187</u>	<u>262</u>

11. Auditors' remuneration

	2017 £'000	2016 £'000
The remuneration of the auditors (excluding VAT) is as follows:		
Audit services	8	12
Non-audit services	-	8
	<u>8</u>	<u>20</u>

12. Financial commitments

There were no capital commitments at 31 March 2017 (2016: £nil).

Operating leases

At 31 March 2017 the Association had annual commitments under non-cancellable operating leases as follows:

	2017 Land and Buildings £'000	2017 Other £'000	2016 Land and Buildings £'000	2016 Other £'000
Operating leases that expire:				
Within one year	176	8	176	8
In the second to fifth years inclusive	363	24	436	5
Over five years	-	-	16	-
	<u>539</u>	<u>32</u>	<u>628</u>	<u>13</u>

Lease commitments under FRS 102 include the timing of the full payment due under contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

13. Tangible fixed assets

Social housing properties

	2017 Social Housing Properties £'000
Valuation	
At 1 April 2016	13,274
Additions	351
Disposals	(7)
Transfer	-
Revaluation	(49)
At 31 March 2017	<u>13,569</u>
Accumulated Depreciation	
At 1 April 2016	-
Charge for year	(459)
Disposals	7
Revaluation	452
At 31 March 2017	<u>-</u>
Net Book Value – Valuation	
At 31 March 2017	<u>13,569</u>
At 31 March 2016	<u>13,274</u>
Net Book Value – Cost	
At 31 March 2017	<u>19,069</u>
At 31 March 2016	<u>19,177</u>

Total expenditure on repairs and capital improvements in the year on existing properties was £636k (2016: £564k). Of this, repair costs of £285k (2016: £443k) were charged to the Statement of Comprehensive Income (note 4) with capital improvement of £351k (2016: £121k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £351k (2016: £121k) in the year include:

- £319k in relation to the replacement of components (2016: £121k); and
- £32k on the improvement of components (2016: £nil).

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the royal Institution of Chartered Surveyors (RICS) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2017 on an Existing Use Valuation for Social Housing (EUV-SH). Discount rates between 5.75-6.50% have been used depending on the property archetype (2016: 5.75-6.50%). The valuation assumes a rental income increase of inflation + 0.5% for the next 3 years, in line with the Association's 30 year Business Plan (2017-18). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

13. Tangible fixed assets (continued)

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March 2017 is shown below:

	2017	2016
Social Housing		
General needs	258	258
Supported housing	95	95
Registered	8	8
Leased	17	17
Total Units	378	378

Leased units above are properties owned by Barony Housing Association which are leased to and managed by third parties. 17 non-Barony owned properties are included within Supported Housing (2016: 17).

The housing valuation has been based on the number of houses held for social letting.

Other tangible fixed assets

	Leasehold Improvements £'000	Land & Buildings £'000	Office Equipment £'000	Total £'000
Cost				
At 1 April 2016	178	637	304	1,119
Additions	-	-	12	12
At 31 March 2017	178	637	316	1,131
Accumulated Depreciation				
At 1 April 2016	93	164	256	513
Charge for year	14	12	19	45
At 31 March 2017	107	176	275	558
Net Book Value				
At 31 March 2017	71	461	41	573
At 31 March 2016	85	473	48	606

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

14. Debtors

	2017	2016
	£'000	£'000
Arrears of rent & service charges	78	75
Adjustment to discount arrears balances with payment plans to NPV	(1)	-
Less: Provision for bad and doubtful debts	(24)	(15)
	<u>53</u>	<u>60</u>
 Prepayments and accrued income	 76	 -
Other debtors	403	416
Loans to tenants/contact point users	-	1
Due from other group companies	3	-
	<u>535</u>	<u>477</u>

Amounts owed by group undertakings and due within one year are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Funds held as intromitter of funds

During the year, the Association held funds on behalf of a small number of tenants as an intromitter of funds under the Adults with Incapacity (Scotland) Act 2000. At the year end, custodian funds held amounted to £26,595 (2016: £26,515) for 8 tenants (2016: 9). These funds are not included in the financial statements.

16. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
		Restated
Trade creditors	76	-
Housing loans (see note 17)	-	181
Deferred income	112	14
Rent and service charges received in advance	47	53
Salaries, wages, other taxation and social security	114	63
Other creditors	793	1,296
Due to other group companies	282	-
	<u>1,424</u>	<u>1,607</u>

Deferred income relates solely to contract income received in advance from Local Authorities for the provision of care services and is due to be release to the Statement of Comprehensive Income within one year. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

17. Creditors: amounts falling due after more than one year

	2017	2016 Restated
	£'000	£'000
Housing loans	-	4,339
Deferred income	83	73
Amount due to group company	2,700	-
	<u>2,783</u>	<u>4,412</u>

Bank lending facility

From 1st April 2016 new borrowing arrangements were put in place to replace previous bank loans via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility is made up of a committed facility of £679.0m from a syndicate of commercial banks, a committed facility of £132.5m from the European Investment Bank and £300.0m raised through the issue of a public bond. This provides total facilities of £1,111.5m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Barony Housing Association having access to an intra-group facility of £2.7m secured on its housing stock. Interest in the year has been charged at 5.56%.

Barony Housing Association Limited has secured a major portion of its housing stock (£5.9m) against this facility, however the remainder of its housing stock and any future new build properties will remain unsecured.

Borrowings are repayable as follows

	2017	2016
	£'000	£'000
In less than one year	-	181
In more than one year but less than two years	-	186
In more than two years but less than five years	-	590
In more than five years	2,700	3,563
	<u>2,700</u>	<u>4,520</u>

Deferred Income

The Association receives contributions towards future furniture replacements within service charge income. Income is received in advance and is deferred until the goods/services have been provided in accordance with the Statement of Recommended Practice for registered social housing providers 2014.

Due to the nature of the future spend, the timing is unpredictable, and therefore the full deferred amount has been included within long term liabilities without further maturity analysis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

18. Share Capital

	2017 £	2016 £
Shares of £1 each issued and fully paid		
At 1 April	59	57
Issued during year	1	4
Surrendered during year	-	(2)
At 31 March	60	59

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

19. Pensions

Lothian Pension Fund

Barony Housing Association participates in the Lothian Pension Fund which is administered by Edinburgh city Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association with investments under the overall supervision of the Fund Trustees. The next full actuarial valuation is due as at 31 March 2017, but is not yet available as at the date of these financial statements.

Pension Trust Social Housing Pension Scheme – Defined Contribution

Barony also operates a defined contribution scheme through the Pensions Trust. This scheme is open to all employees of Barony who are not members of the Lothian Pension Fund.

Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	31 March 2017	31 March 2016
Discount rate	2.8%	3.5%
Future salary increases	*2.5%	4.2%
Inflation	2.3%	2.2%

* Salary increases are assumed to be 2.0% p.a. until 31 March 2019, 2.5% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

19. Pensions (continued)

- Current pensioner aged 65: 22.1 years (male) (2016 22.1 years), 23.6 years (female) (2016 23.6 years).
- Future retiree upon reaching 65: 24.8 years (male) (2016 24.8 years), 26.2 years (female) (2016 26.2 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which Barony has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	2017 £'000	2016 £'000
Opening defined benefit obligation	18,633	19,862
Current service cost	424	594
Interest cost	656	643
Loss on curtailment	43	2
Actuarial (gains)/losses	50	(2,317)
Contributions by members	101	117
Estimated benefits paid	(316)	(268)
Closing defined benefit obligation	19,591	18,633

Movements in fair value of plan assets

	2017 £'000	2016 £'000
Opening fair value of plan assets	17,611	16,598
Expected return on plan assets	620	534
Actuarial (losses)/gains	3,382	290
Contributions by the employer	420	340
Contributions by the members	101	117
Estimated benefits paid	(316)	(268)
Closing fair value of plan assets	21,818	17,611

	2017 £'000	2016 £'000
Present value of funded defined benefit obligations	(19,591)	(18,633)
Fair value of plan assets	21,818	17,611
Net asset/(liability)	2,227	(1,022)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

19. Pensions (continued)

Expense recognised in the statement of comprehensive income

	2017 £'000	2016 £'000
Current service cost	424	594
Losses on settlements or curtailments	43	2
Net interest on net defined benefit obligation	36	109
	<u>503</u>	<u>705</u>

The expense is recognised in the following line items in the statement of comprehensive income

	2017 £'000	2016 £'000
Operating costs	(6,621)	(6,787)
Finance charges	(187)	(262)
Finance income	4	16

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £3,249k gain (2016: £2,242k gain).

The fair value of the plan assets and the return on those assets were as follows:

	2017 £'000	2016 £'000
Equities	14,618	11,799
Corporate bonds	5,018	3,522
Property	1,527	1,585
Cash	655	705
	<u>21,818</u>	<u>17,611</u>
Actual return on plan assets	4,002	824

Defined Contribution pension arrangements

Expense recognised in Statement of Comprehensive Income

	SHPS 2017 £'000	SHPS 2016 £'000
Current service cost	38	27
	<u>38</u>	<u>27</u>

20. Related party transactions

There are no related party transactions to be disclosed within the financial statements. There is currently no tenant Board Members.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

21. Cash flow analysis

Cash flow from operating activities

	2017	2016
	£'000	£'000
Surplus for the year	534	304
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	497	365
increase in trade and other debtors	(58)	(76)
Increase in trade and other creditors	8	287
Pension costs less contributions payable	47	257
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	-	-
Interest payable	187	262
Interest received	(4)	(16)
Reversal of previous decrease in valuation of housing properties	(403)	(597)
Net cash inflow from operating activities	808	786

22. Prior year adjustments

Presentation of actuarial valuation movements

In the 2016 financial statements separate elements of the movement in the pension liability during the year relating to the actuarial valuation were presented, in error, between the Statement of Comprehensive Income and the Statement of Changes in Reserves. This has been restated to show the full actuarial movement through the Statement of Comprehensive Income only. There is no impact on the Statement of Financial Position or surplus for the year as a result of this restatement. A pension credit taken directly to equity of £3,265,000 in the Statement of Changes in Reserves has been reversed and the following is the effect of the Statement of Comprehensive Income.

	Reported in 2016 financial statements £'000	Impact of restatement £'000	Restated 2016 figures £'000
<i>Statement of Comprehensive Income</i>			
Actuarial gain/(loss) in respect of pension schemes	(657)	3,265	2,608
Total Comprehensive Income for the year	(353)	3,265	2,912

23. Ultimate parent organisation

The Association is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

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