

Financial Statements
For year ended
31 March 2016



CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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CARTREFI CYMUNEDOL GWYNEDD CYF

BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

Claire Russell Griffiths (Chair; Resigned March 2016)
Medwyn Hughes (Vice Chair; Chair from April 2016)
Margaret Bracegirdle
Anne Lloyd-Jones
Michael Sol Owen
Stephen Churchman
John Wyn Williams
Nerys Williams
David Halsall
Anne Foote
Mark Jones (Appointed October 2015; Vice Chair from April 2016)
Abigail Tweed (Appointed May 2015)

Secretary and Registered Office

Rhys Evans
Unit 6 & 7,
Llys Castan, Parc Menai,
Bangor, Gwynedd
LL57 4FH

Executive Officers

Ffrancon Williams - Chief Executive
Paul McGrady – Director of Resources (Commenced June 2015)
Ian Atkinson – Director of Assets and Infrastructure (Commenced June 2015)

External Auditors

Beever and Struthers
St George's House,
215-219 Chester Road,
Manchester
M15 4JE

Solicitors

Trowers & Hamlins
Sceptre Court,
40 Tower Hill,
LONDON
EC3N 4DX

Bankers

Barclays Bank plc
3rd Floor,
Windsor Court,
3 Windsor Place,
Cardiff
CF10 3ZL

Funders

Barclays Bank plc
3rd Floor,
Windsor Court,
3 Windsor Place,
Cardiff
CF10 3ZL

Financial Advisors

Capita Asset Services
65 Gresham Street,
London
EC2V 7NQ

Cartrefi Cymunedol Gwynedd Cyfyngedig is Co-operative and Community Benefit Society registered with charitable rules, Co-operative and Community Benefit Society Number:30776R. Registered Social Landlord number L152.

CARTREFI CYMUNEDOL GWYNEDD CYF

Strategic Report for the year 1 April 2015 to 31 March 2016

The Board of Cartrefi Cymunedol Gwynedd Cyf presents this report and the audited financial statements for the year 1 April 2015 to 31 March 2016.

Throughout the report and Financial Statements 'CCG' or 'Association' has been used to refer to Cartrefi Cymunedol Gwynedd Cyf.

Per the requirements of the Financial Reporting Council, the Financial Statements have been prepared in compliance with the new Financial Reporting Standard (FRS) 102. The effects of adopting the new FRS102 are explained in the Financial Statements themselves (e.g. Note 23), but in summary the changes include a revised presentation of the main accounts (e.g. the Balance Sheet is now the Statement of Financial Position), capital grants being shown as a creditor rather than as a deduction from fixed assets, recognition of holiday pay accruals, and recognition of the gross values of the outstanding stock transfer obligation.

Principal Activities

CCG is a Large Scale Voluntary Transfer Housing Association formed in April 2010 following the transfer of some 6,300 homes from Gwynedd Council. CCG is a Co-operative and Community Benefit Society registered with charitable rules. As a Registered Social Landlord, CCG is regulated by the Welsh Government.

CCG's primary purpose is to provide affordable rented homes within the county of Gwynedd to those in housing need.

On the 31 March 2016 CCG managed 6,241 properties throughout the county of Gwynedd, with the vast majority of these located in the Arfon area.

CCG's stock is mainly concentrated in the city of Bangor and the largest settlement towns of Caernarfon, Pwllheli, Blaenau Ffestiniog, Dolgellau, Bala and Tywyn many properties are also spread across a wide area of the county in villages and isolated rural locations.

Within the current stock there are around 400 homes designated as Sheltered Housing for older tenants, for tenants living in such properties, wardens are employed to help ensure that tenants can enjoy as much independence as possible.

During its sixth year of operation CCG finalised the delivery of one of the core promises made to tenants in the Offer Document, namely that of bringing our homes to the Welsh Housing Quality Standard (WHQS) – this was achieved in the autumn of 2015.

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Objectives and strategies

In early 2015 the Board took the opportunity to reflect and look forward to the future, and adopted a new Corporate Plan for the period 2015 to 2020. This plan details the next phase in CCG's development, and revised the organisation's Vision and Values.

The new revised Vision is;

To be a leading provider of quality housing – meeting the needs of customers, valuing communities

This vision is supported up by a number of core values;

- **Fair** – Make consistent and objective decisions which promote equality and respect diversity
- **Accountable** – Be effective and take responsibility for the decisions we make and the things we do
- **Open** – Be honest and transparent in everything we do
- **Innovative** – Be ambitious and open to new ideas and new ways of working
- **Approachable** – Be accessible and easy to work with at all times

The 2015/20 Corporate Plan sets out CCG's strategy for the coming years, and focuses on:

- the priorities for the Board and staff to deliver,
- what we invest our time and resources in delivering, and
- the framework governing our decisions and monitoring our progress.

The Plan includes a set of four key themes and related goals;

- **Customers** – We will aim to meet the needs of our customers and encourage their involvement in shaping how services are designed and delivered
- **Development and Growth** – We will aim to grow as a business to ensure our long term viability
- **Assets** – We will manage our assets to sustain their value and maximise income, ensuring they meet our customers' needs
- **Sustainable Communities** – We will promote sustainable communities by working in partnership to deliver effective services

These themes and goals are supported by 14 detailed objectives, with the plan as a whole underpinned by 6 principles designed to help guide its delivery;

- **Finance and Governance**
- **People and Technology**
- **Communication**

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- **Partnership**
- **Value for Money**
- **Health, Safety, Quality and Environment (HSQE)**

Progress against the delivery of the plan is monitored through a reviewed Performance Management Framework.

Financial Review

Financial Viability Assessment

The Welsh Ministers have powers under section 33A of the Housing Act 1996 to regulate RSLs in Wales in relation to the provision of housing and matters relating to governance and financial management. Regulatory assessments undertaken follow a risk based approach which seeks to make a judgement relating to the financial viability of the Association. The judgements fall into one of three categories: 'Pass', 'Pass with closer regulatory monitoring' or 'Fail.'

Following the Welsh Ministers review they concluded in May 2016 that CCG's Financial Viability Judgement was 'Pass', which is the highest of the three available judgements, and is defined as:

"The Association has adequate resources to meet its current and forecasted future business and financial commitments"

The Regulator's judgement was mainly explained as;

- *CCG has prepared the 30 year financial forecasts using a reasonable set of assumptions.*
- *CCG has adequate secured loan facilities in place in order to fund its forecasted spending on property maintenance and improvements, and it has sufficient income generating ability to service and repay such borrowings.*
- *CCG's 30 year forecast shows that it should continue to operate within the lenders' covenants under reasonably foreseeable scenarios.*
- *CCG has reported achievement of the Welsh Housing Quality Standard in 2015 and has used stock condition survey information to inform costs included in its 30 year forecast to continue to meet this standard.*

Financial Performance

The financial results for the sixth year of operation compare well with CCG's sixth year business plan, with a surplus on ordinary activities for the year of £4.9m. This surplus is after receipt of dowry for the year from WG of £4.1m.

CCG had tangible fixed assets of £116.0m at the year end, mainly being the cumulative cost of improvement works carried out since transfer. There were

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net current liabilities £13.8m at the year end, mainly due to £14.0m of bank loans repayable in 2016/17, accrued expenditure and a liability on the local government pension scheme fund of £1.2m. Total reserves were £42.5m at year end, mainly being the capitalised improvement works referred to above, less the long term funding of those works and less the pension liability.

The balance of loans outstanding stood at £69.85m at year end, and were drawn down under an £82.0m facility arrangement with Barclays Bank. The balance of loans comprised:

- Seven fixed rate loans from Barclays totalling £55.0m - repayable in October 2018 (£6m), October 2021 (£5m), October 2022 (£4m), April 2031 (£5m), April 2032 (£8m), April 2033 (£12m) and April 2034 (£15m)
- £14.0m in variable rate loans from Barclays – repayable during 2016/17
- A £0.85m variable rate loan from the Welsh Government - repayable in 2020/21

Assets

As noted above, during the year CCG completed the WHQS improvement programme as detailed in the Offer Document. A total of £119.7m was spent in the previous 5 years, with a further £9.1m invested in 2015/16. In addition, 3 new build schemes were progressed during the year, with £1.7m spent in 2015/16.

Rents

During 2015/16 CCG continued to follow the Welsh Government's policy on Social Housing Rents which was introduced in 2014/15. This policy determines an average rent band for the Association into which the average actual rent charged must fall. Inflationary increases are based on the Consumer Prices Index plus 1.5% but the Association can increase the rents by a further £2 per week for all or part of the stock if it is deemed necessary in order to fund business plan commitments. In 2015/16 the average actual rent rose by 4.42%. The total rent charged in the year totalled £25.77m.

Right to Buy/Acquire

The Offer Document noted that tenants who transferred to CCG from Gwynedd Council would have 'preserved right to buy' rights. During the year a total of 15 such sales were completed, and in addition a further 4 properties were sold on the open market. The proceeds of these sales have been included in the 2015/16 statement of comprehensive income.

New tenants since transfer do not have the same right to buy rights as transferred tenants, however, under certain criteria they may be able to purchase their homes through the 'right to acquire' process, which is based on

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a grant rather than a discount. To date CCG has not sold any properties under the right to acquire.

Operational Review

CCG celebrated its sixth anniversary soon after the end of the 2015/16 financial year – a year that saw significant progress made with the 2015 - 2020 Corporate Plan adopted in early 2015.

Key achievements and operational priorities 2015/16

Operational priorities and key achievements in the year included;

- Further progress with CCG's first Development Strategy; this strategy outlines the approach to embarking on a programme of carefully managed growth, with the aim of developing 225 new homes by 2020 to widen the choice available to meet community needs. The Strategy is supported by a clear framework for risk management and a robust process for business planning and financial capacity.
- The Development Strategy's first 18 new homes (two sites in Bangor and one in Pwllheli) were completed in 2015/16, and work has started on two other new build sites in Bangor and Dolgellau which will provide a further 21 units. These schemes have been part funded by the Welsh Government's social housing grant and smaller properties programme. The new homes are efficient to level three of the Code for Sustainable Homes, and meet the standards for Secure by Design. Various other schemes are in the planning stage, including the purchase of a site in Caernarfon that will accommodate 45 units.
- Work on refurbishing four sheltered schemes was completed and these flats, together with the 18 new homes have been let to people who need affordable social housing – some of these were let to tenants who were downsizing due to Welfare Reform changes.
- The Welsh Housing Quality Standard (WHQS) was achieved in September 2015, and the association remains focussed on maintaining the standard (e.g. via the new WHQS Compliance policy which was approved by the Board), and on ensuring continued investment.
- Other initiatives relating to Assets included increased accuracy of the asset management data, the procurement of a framework of contractors to deliver future capital investment work such as external works, better internal communication between the assets and repairs teams, and the use of the in-house repairs team to deliver capital works such as kitchen and bathroom replacement.
- The Trwsio Improvement Programme was established in the year – this built on previous independent reports on the service, and has the

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aim of progressing previous service improvements and ensuring that the association has the most appropriate repairs regime

- The drive to improve customer satisfaction and responsive repairs performance continues, focussing on sustaining service improvement and nurturing an improvement culture. The Tenant Satisfaction STAR survey has traditionally reported satisfaction of approximately 62% annually, but this increased to 67% in 2015/16, and the internal monthly customer satisfaction questionnaires show a further increase. There was also a significant clearing of repairs work cards in the year, and despite the increase of approximately 2,000 repairs jobs raised annually, there is continued focus on ensuring that backlogs don't arise.
- Work has continued to mitigate the impact of Welfare Reform by supporting tenancies to maintain their sustainability. Our proactive approach has enabled us to deal with our first Universal Credit cases whilst keeping the rent arrears to 1.8 % - beating our target of 2%. The Financial Inclusion strategy was reviewed and the emphasis now is on increasing the financial capability of our tenants so they are better able to deal with personal financial shocks which limit their ability to pay their rent.
- CCG has continued to develop partnerships and has worked with the police on an Early Intervention approach that helps create safer communities. CCG is a member of the Gwynedd Tackling Poverty workgroup and the Lottery funded Gwynedd Digital Resilience project which encourages our tenants to use the internet to access information, gain skills for the workplace, and increase their social inclusion.
- The association continued to ensure that it met the required standards of the previously achieved OHSAS 18001 accreditation for Health and Safety, and ISO 9001 and 14001 accreditations for Quality Systems Environment.
- Keeping the association's tenants at the heart of CCG's work and improved customer care remains a primary priority, and a new tenant participation framework was established in the year. In addition, as noted above, the results of the fifth Tenant Satisfaction Survey showed continued progress in some key areas whilst highlighting other areas for improvement. Again, the results formed a key part of the evidence used by Board for the annual Self-Assessment exercise shared with the Regulator.
- CCG once again received national recognition for its procurement work, reaching the shortlist at the Welsh National Procurement Awards in two categories, namely Collaboration and Innovation in Procurement. The awards are part of Bangor University's Institute for Competition and

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Procurement Studies' annual Welsh Procurement Week and are supported by the Welsh Government. This is the fourth year in a row that CCG has reached the short list for these awards, having won the Outstanding Contribution Award and the Community Benefit award in the past for work in ensuring that communities across Gwynedd benefit from WHQS investment.

- The CCG Community Investment Fund supported 52 community based organisations in the year to develop a range of projects across the Gwynedd area – the total grant awarded of £255k helped the organisations secure a further investment of £937k in the community projects through 'match funding'.
- CCG is undertaking a Business Transformation project which has the aim of improving the way in which the association operates - better communication, more suitable offices, innovative business processes etc. As part of driving forward the efficiency agenda there was also a detailed review of individual budget lines – this budget review will continue and medium term financial planning will be developed further.
- There was a specific focus on both Value for Money and the Procurement Strategy in the year (the latter for example resulting in a new framework for materials), and the association continued to build upon the suite of strategic and operational policies and procedures, e.g. the Contract Procedure Rules were reviewed in the year.

These key achievements are consistent with the Future Developments identified within the 2015/16 Board Report.

During the forthcoming year, CCG will continue to build on the achievements since transfer and strengthen as an organisation further. Particular focus will be on continuing to implement the Corporate Plan through a process of change and programme management.

Governance and Regulatory Overview

Housing Association Regulatory Assessment

Part 2 of the Housing (Wales) Measure 2011 (the Measure), which amends Part 1 of the Housing Act 1996 gives powers to the Welsh Ministers to regulate RSL's in Wales. The measure provides the Welsh Ministers with enhanced regulatory and intervention powers.

Early in 2015, the Welsh Government Housing Regulation Team undertook Regulatory Assessment (RA) on behalf of the Welsh Ministers. The Regulatory Assessment is designed to provide CCG, tenants, service users and other stakeholders with an understanding of how well we are performing, at a specific moment in time, against the delivery outcomes relating to:

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- Landlord services
- Governance
- Financial management

The RA was undertaken in accordance with the risk-based approach to regulation set out in 'The Regulatory Framework' and associated guidance '*Improving the implementation of the Regulatory Framework: a risk based approach to regulation*' and '*Sector risks facing housing associations in Wales*'.

The Regulator utilises information and knowledge gained through ongoing regulatory engagement with CCG, together with information provided to inform regulatory opinion.

The final report was published in May 2015 and the conclusions were accepted as a reasonable and fair assessment by the Board. The relationship with the Regulator remains healthy with regular contact maintained over the financial year.

Charter for Good Governance and the Code of Governance

The Board continued to follow the Community Housing Cymru's (CHC's) Charter for Good Governance which has been developed to demonstrate a visible commitment to good governance.

Following the publication of the sector Code of Governance in February 2015 as developed by Community Housing Cymru, in partnership with the Welsh Government, a comprehensive 'compliance gap analysis' was undertaken with the Board. The conclusions were that CCG was in a position to demonstrate compliance with the majority of the Code, and an action plan was developed in order to ensure full compliance.

The Compliance Action Plan included provisions for a more formal Board 'evaluation' process and a review of the Governance Structure and supporting policies.

Board and Committee structure

CCG's Rules dictate that the Board is to be made up of twelve members, comprising four tenants, four Local Authority nominees, and four independents; all are Non-Executive Directors of CCG. Members are from a wide background, bringing a range of professional, commercial and local experiences to CCG. The members of the Board of Management and the Executive Leadership Team who served during the year are set out on page 1.

To enable the Board to maintain a focus on the policy framework and the company's overall strategic direction, and in order to better align the Governance Structure with the expectations of the Code of Governance,

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CCG's committee structure and governing documents were reviewed in the year.

The revised Governance Structure and Standing Orders led to the establishment of four committees with delegated powers that enable effective scrutiny of operational issues, with the revised committee structure comprising of:

- Audit and Risk Assurance Committee
- Assets and Infrastructure Committee
- Customers and Communities Committee
- Resources Committee

This revised structure is also designed to support future requirements of the organisation including the transition to delivering the new Corporate Plan.

Statement of Board responsibilities

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the accounts on the going concern basis unless it is inappropriate.

The Board are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and Housing Acts. In determining how amounts are presented within items in the statement of comprehensive income and the statement of financial position, the Board has had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice. 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, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

The Board is responsible for the Association's strategy and policy framework, but delegates the day to day management and implementation to the Chief Executive and the Executive Leadership Team.

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Shareholder membership

At the end of the year, CCG had a total of 49 shareholders, each member having a £1 share in CCG. Shareholders are able to influence decision making within the Association through their right to vote at the Annual General meeting; all tenants have the right to apply to become shareholders.

The Local Authority hold one share capital on behalf of the Local Authority nominees on the Board, and the remaining Board members are all shareholders. None of the senior officers hold any interest in the share capital of the Association.

Internal Control

The Board has overall responsibility for establishing and maintaining the overall system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within general management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with WG's RSL02/10 housing circular: 'Internal controls and reporting'.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks:

CCG's Risk Management Framework agreed by the Board in 2014/15 outlines the processes involved in Risk Management, including the identification, analysis and scoring steps, as well as how risks are monitored within the organisation. The framework refers to three levels of risk, namely strategic, corporate and service based risks.

In order to ensure a consistent approach to scoring, a scoring matrix has also been developed as part of the framework which provides a comprehensive tool for assessing the probability of a risk occurring as well as the impact of such a risk. The impact scoring matrix is split into three areas to ensure clarity, these being cost, time and quality impacts.

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This process enables the association to identify key risks and uncertainties, and the highest scoring risks identified in the year were:

- Welfare Reform
- Rent loss due to void properties
- Staffing & recruitment
- Board capacity and succession
- Local major infrastructure projects
- Diversification into other activities

The identification of such risks helps enable appropriate risk monitoring, management and mitigation, and there is regular reporting of risk to the Audit and Risk Assurance Committee.

The internal audit function, which is provided by an independent firm of accountants, follows a risk-based audit programme, and reports directly to the Audit and Risk Assurance Committee.

Overall control procedures:

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems:

Financial reporting procedures include detailed budgets for the year ahead, detailed monthly management accounts, and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the executive directors and are considered and approved by the Resources Committee quarterly. They are also forwarded to our Funders as part of the loan facility agreement. All Committees regularly review relevant key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring and corrective action:

A process of regular management reporting on control issues provides assurance to senior management and the Audit and Risk Assurance Committee. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who report to the Audit and Risk Assurance

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Committee. The Audit and Risk Assurance Committee considers internal control and risk at each of its meetings during the year, and will routinely review a number of operational risk maps.

The Audit and Risk Assurance Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process.

The Board confirms that there is an on-going process for identifying, and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report and accounts, and is regularly reviewed by the Board.

Statement of compliance

This board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the Housing SORP 2014.

By Order of the Board:

Medwyn Hughes – Chair

Date: 21 September 2016

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CARTREFI CYMUNEDOL GWYNEDD CYF

We have audited the financial statements which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 10, the Board is responsible for the preparation of the 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require 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; or
- we have not received all the information and explanations we need for our audit

Beever and Struthers
Chartered Accountants and Statutory Auditors
St George's House
215 – 219 Chester Road
Manchester
M15 4JE
Date 21 September 2016

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Comprehensive Income
For the Year 1 April 2015 to 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	30,282	29,745
Operating Expenditure	2	(22,922)	(22,138)
Operating Surplus / (Deficit)		7,360	7,607
Gain / (Loss) on Disposal of Property, Plant & Equipment		1,496	1,015
Interest Receivable	4	7	774
Interest and Financing Costs	4	(3,988)	(3,413)
Surplus / (Deficit) before Tax	5	4,875	5,983
Taxation	20	0	0
Surplus / (Deficit) for the Year		4,875	5,983
Actuarial Gain / (Loss) in Respect of Pension Schemes		2,444	(2,375)
Total Comprehensive Income for the Year		7,319	3,608

The association's results relate wholly to continuing activities.

The financial statements on pages 16 to 20 were approved and authorised for issue by the Board on 21 September 2016 and were signed on its behalf by:

Medwyn Hughes – Chair

Mark Jones – Vice Chair

Rhys Evans – Secretary

The notes on pages 21 to 41 form an integral part of these accounts.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Change in Reserves

For the Year 1 April 2015 to 31 March 2016

	Total Reserves
	£'000
Balance as at 1 April 2014	31,658
Surplus / (Deficit) from Statement of Comprehensive Income	3,608
	35,266
Balance as at 1 April 2015	
Surplus / (Deficit) from Statement of Comprehensive Income	7,319
Prior period adjustment	(81)
	42,504
Balance as at 31 March 2016	

The notes on pages 21 to 41 form an integral part of these accounts.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Position

as at 31 March 2016

	Note	Year Ended 31 March 2016		Year Ended 31 March 2015 Restated	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Fixed Assets	6 & 7		116,102		109,889
Current Assets					
Stock	8	60		66	
Trade and Other Debtors	9	15,418		12,262	
Cash and Cash Equivalents	10	1,947		2,680	
Less : Creditors Due Within One Year	11	<u>(31,243)</u>		<u>(29,550)</u>	
Net Current Assets / (Liabilities)			(13,818)		(14,542)
Total Assets less Current Liabilities			<u>102,284</u>		<u>95,347</u>
Debtors : Due After One Year	9		75,344		88,601
Creditors : Due After One Year	12		(133,850)		(145,599)
Provision for Liabilities					
- Pension Provision	16	(1,196)		(2,836)	
- Other Provisions	13	(78)	(1,274)	(328)	(3,164)
TOTAL NET ASSETS			<u>42,504</u>		<u>35,185</u>
Reserves:					
Non-equity Share Capital	14	-		-	
Income and Expenditure Reserve		42,504		35,185	
TOTAL RESERVES			<u>42,504</u>		<u>35,185</u>

The financial statements on pages 16 to 20 were approved and authorised for issue by the Board on 21 September 2016 and were signed on its behalf by:

Medwyn Hughes – Chair

Mark Jones – Vice Chair

Rhys Evans – Secretary

The notes on pages 21 to 41 form an integral part of these accounts.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Cash Flows
For the Year Ended 31 March 2016

	Year Ended 31 March 2016		Year Ended 31 March 2015	
	£'000	£'000	£'000	£'000
Net Cash Generated from Operating Activities		10,818		12,967
Cash Flow from Investing Activities				
Purchase of Tangible Fixed Assets	(11,203)		(30,316)	
Proceeds from Sale of Tangible Fixed Assets	1,713		1,208	
Grants Received	720		1,245	
Interest Received	6		12	
		<u>(8,764)</u>		<u>(27,851)</u>
Cash Flow from Financing Activities				
Interest Paid	(3,787)		(3,413)	
New Secured Loans	4,000		37,000	
Repayment of Borrowings	(3,000)		(17,000)	
		<u>(2,787)</u>		<u>16,587</u>
Net Change in Cash & Cash Equivalents		<u>(733)</u>		<u>1,703</u>
Cash & Cash Equivalents at Beginning of the Year		2,680		977
Cash & Cash Equivalents at the End of the Year		1,947		2,680

CARTREFI CYMUNEDOL GWYNEDD CYF
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Reconciliation of Net Surpluses to Net Cash Inflow from Operating Activities

	Year Ended 31 March 2016		Year Ended 31 March 2015	
	£'000	£'000	£'000	£'000
Surplus for the year		4,875		5,983
Adjustments for Non Cash Items:				
Depreciation of Tangible Fixed Assets	4,777		5,256	
Decrease / (Increase) in stock	6		(15)	
Decrease / (Increase) in Trade & Other Debtors	1,888		(546)	
Increase / (Decrease) in Trade & Other Creditors	(3,538)		45	
Increase / (Decrease) in Provisions	(250)		328	
Pension Costs less Contributions Payable	603		353	
Carrying Amount of Fixed Asset Disposals	217		193	
		3,703		5,614
Adjustments for Investing or Financing Activities:				
Proceeds from the Sale of Tangible Fixed Assets	(1,713)		(1,208)	
Government Grants Utilised in the Year	(29)		(61)	
Interest Payable	3,787		3,413	
Interest Received	195		(774)	
		2,240		1,370
Net Cash Generated from Operating Activities		10,818		12,967

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Cartrefi Cymunedol Gwynedd is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a Registered Provider of social housing. The association is a public benefit entity and its registered office is Unit 6 & 7, Llys Castan, Parc Menai, Bangor, Gwynedd, LL57 4FH.

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The financial statements comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The accounts are prepared on the historical cost basis of accounting and are presented in pounds sterling. Unless otherwise noted, amounts are rounded to the nearest £1,000.

The financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements for the year ended 31 March 2016. The association transitioned from previous GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance is given in note 23.

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- **Development expenditure.** The association capitalises development expenditure in accordance with the accounting policy described under "Fixed Assets" page 23. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

- **Categorisation of housing properties.** The association has undertaken a detailed review of the intended use of its housing properties – this review concluded that all housing properties are held for social benefit.

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** As detailed on the next page, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 16.
- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified

Following a trigger for impairment, the association performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment, no impairment losses were identified in the reporting period.

Turnover

Turnover comprises:

- Rent and service charges receivable net of empty property voids;
- Grants from the Welsh Government;
- Fees and
- Revenue grants.

Fixed Assets and depreciation

The Association depreciates its housing properties in accordance with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords".

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Freehold housing properties are depreciated by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

Component	Years
Building Structures	80 years
Roofing	60 years
Windows and Doors	30 years
Central Heating	20 years
Kitchens	15 years
Bathroom	25 years
Electrical Wiring	30 years
Walls and Other External Works	50 years
Disabled Adaptations	10 years

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Depreciation is charged over the expected useful life of assets related to estates and other land as follows:

Asset	Years
Fencing	40 years
Paths	30 years
Drainage	30 years
Parking Areas	30 years
Street Lighting	20 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Asset	Years
Offices	15 to 80 years
Garages	30 to 60 years
Shops	15 to 80 years
Vehicles and Plant	3 years
IT Equipment	5 to 10 years

Stock

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. At each reporting date, stock is assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell, with the impairment loss being recognised immediately in the Statement of Comprehensive Income.

Social Housing and Other Government Grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land) under the accruals model. The Social Housing Grant (SHG) received for items of cost written off in the statement of comprehensive income is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

projects approved by the Welsh Government. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain cases, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has been accrued at the date of the statement of financial position and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the date of the statement of financial position.

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the date of the statement of financial position.

Operating leases

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Value Added Tax

The Association is registered for VAT. A large portion of its income including rental receipts is exempt for VAT purposes. Where VAT is not recoverable the expenditure for these activities is shown in the accounts inclusive of VAT, with the exception of all major repairs expenditure which is shown exclusive of VAT. The Association has been able to take advantage of the VAT Shelter relief that is available to it.

Provisions

Provisions are recognised where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the statement of comprehensive income and credited to the statement of financial position based upon the Associations best estimate of potential liabilities.

Pensions

The Association participates in two pension schemes :-

The **Local Government Pension Scheme (LGPS)** is a defined benefits scheme managed by Gwynedd Council. Contributions are assessed in accordance with the advice of an independent qualified actuary. Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS Scheme are disclosed in accordance with Section 28 of Financial Reporting Standard No.102 – Employee Benefits.

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The **Social Housing Pension Scheme (SHPS)** is a defined contribution scheme managed by the Pensions Trust. Contributions are charged to the Statement of Comprehensive Income based on the actual payments made to the scheme in the form of employer contributions.

Service charges

Cartrefi Cymunedol Gwynedd operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the statement of financial position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the statement of financial position within long term creditors.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 2. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

Loan finance

The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non-basic". On the grounds that the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt following the FRC announcement.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the statement of financial position at the amount of the net proceeds after

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs, are recognised in the statement of comprehensive income in the year in which the redemption took place.

Taxation

The association has charitable status and is therefore not liable for Corporation Tax on its charitable activities.

Stock Transfer Obligation

When the housing stock was transferred in 2010, the association entered into an agreement to purchase the properties from the local authority and to carry out improvement works on those properties. The outstanding commitments from this agreement net off to zero and have not previously been disclosed in the Financial Statements; the new FRS102 however requires the gross values of these obligation to be recognised, and so the Statement of Financial Position now shows the related assets and liabilities as debtors and creditors, split into obligations falling due within one year and due after more than one year. (See also notes 9, 11 & 12.)

Given that these assets and liabilities match, their recognition makes no difference to the net current assets/liabilities figure, nor to the Statement of Financial Position total. They do however significantly increase the individual debtors and creditors values when compared with previous Financial Statements

As the association continues to invest in improvement works on its housing properties, the stock transfer obligations will decrease over future years.



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2. TURNOVER, OPERATING COSTS AND SURPLUS

	2016			2015 Restated		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (Note 3)	29,928	(22,769)	7,159	29,395	(21,992)	7,403
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	113	(78)	35	120	(75)	45
NON-SOCIAL HOUSING ACTIVITIES						
Lettings of Shops and Other Land	108	(33)	75	108	(32)	76
Letting of Garages to Non Tenants	133	(42)	91	122	(39)	83
TOTAL	30,282	(22,922)	7,360	29,745	(22,138)	7,607



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2016			2015 Restated		
	General Housing £'000	Supported Housing £'000	Total £'000	General Housing £'000	Supported Housing £'000	Total £'000
INCOME						
Rents receivable net of identifiable service charges and net of voids	(24,004)	(1,343)	(25,347)	(23,297)	(1,293)	(24,590)
Service charge income	(93)	(286)	(379)	(78)	(313)	(391)
Rents receivable	(24,097)	(1,629)	(25,726)	(23,375)	(1,606)	(24,981)
Service Level Agreement Income	-	-	-	(61)	(4)	(65)
Revenue Grants Received	(3,850)	(250)	(4,100)	(3,845)	(255)	(4,100)
Capital Grants Applied	(29)	-	(29)	(54)	(7)	(61)
Miscellaneous Income	(68)	(5)	(73)	(177)	(12)	(189)
TURNOVER FROM SOCIAL HOUSING LETTINGS	(28,044)	(1,884)	(29,928)	(27,512)	(1,884)	(29,396)
OPERATING EXPENDITURE						
Service charge costs	1,780	368	2,148	1,815	492	2,307
Management	7,657	702	8,359	7,087	707	7,794
Routine maintenance	5,008	191	5,199	4,185	189	4,374
Planned maintenance	2,284	4	2,288	2,467	1	2,468
Rent losses from bad debts	190	12	202	168	11	179
Depreciation of Housing Properties	4,253	320	4,573	4,635	236	4,871
TOTAL OPERATING EXPENDITURE	21,172	1,597	22,769	20,357	1,636	21,993
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	(6,872)	(287)	(7,159)	(7,155)	(248)	(7,403)
Void Losses	670	27	697	940	41	981

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

a. Interest Payable and Similar Charges	2016	2015
	£'000	£'000
On Loans	3,690	3,314
Non Utilisation Fees	97	99
Net Loss on Pension Fund Investments	201	-
TOTAL	3,988	3,413

b. Interest Receivable and Similar Income	2016	2015
	£'000	Restated £'000
On Investments	7	12
Net Return on Pension Fund Investments	-	762
TOTAL	7	774

5. SURPLUS FOR THE YEAR

	2016	2015
	£'000	£'000
The operating surplus for the year is stated after charging:		
Auditor's Remuneration – In their capacity as auditors	16	16
Operating Lease Payments	436	341
Depreciation of Housing Properties	4,573	4,847
Depreciation of Other Assets	203	385

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting 2016	Assets Under Construction 2016	Work in Progress 2016	Total 2016
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year Restated	111,291	315	7,726	119,332
Disposals	(217)	-	-	(217)
Transfer to completed works	6,600	-	(6,600)	-
Additions	9,753	1,263	-	11,016
Cost at End of Year	127,427	1,578	1,126	130,131
Depreciation and Impairment				
At Beginning of Year Restated	10,840	-	-	10,840
Disposals	(24)	-	-	(24)
Charge for the Year	4,573	-	-	4,573
At End of Year	15,389	-	-	15,389
Net Book Value				
At End of Year	112,038	1,578	1,126	114,742
At Beginning of Year Restated	100,451	315	7,726	108,492

Assets Under Construction represent new build properties under construction and Work in Progress represents improvement works in progress.



CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

7. OTHER TANGIBLE FIXED ASSETS

	Offices	Vehicles	Computers, Furniture and Office Equipment	2016 Total	Offices	Vehicles	Computers, Furniture and Office Equipment	2015 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At Beginning of Year	1,025	159	1,894	3,078	992	159	1,711	2,862
Additions	-	-	166	166	33	-	183	216
Disposals	-	(6)	-	(6)	-	-	-	-
Cost at End of Year	1,025	153	2,060	3,238	1,025	159	1,894	3,078
Depreciation								
At Beginning of Year	155	159	1,367	1,681	111	159	1,026	1,296
Charge for the Year	25	-	178	203	44	-	341	385
Disposals	-	(6)	-	(6)	-	-	-	-
At End of Year	180	153	1,545	1,878	155	159	1,367	1,681
Net Book Value								
At End of Year	845	-	515	1,360	870	-	527	1,397
At Beginning of Year	870	-	527	1,397	881	-	685	1,566

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8. STOCK

	2016	2015
	£'000	Restated £'000
Building Maintenance Unit Materials	59	40
Properties Held for Sale	-	25
Staff Benefit Vouchers	1	1
TOTAL	60	66

9. DEBTORS

	2016	2015
	£'000	£'000
Debtors Due Within One Year:		
Arrears of Rent and Service Charges	948	1,405
Less : Provision for Bad Debts	(661)	(685)
	287	720
Loans to Staff	-	1
Other Debtors and Prepayments	1,024	2,476
Land for Housing loan	850	-
Stock Transfer Obligation	13,257	9,065
TOTAL	15,418	12,262
Debtors Due After One Year:		
Stock Transfer Obligation	75,344	88,601
TOTAL	75,344	88,601

10. CASH AND CASH EQUIVALENTS

	2016	2015
	£'000	£'000
Bank Deposits		
Instant Access Deposit Accounts	1,919	2,600
Current Bank Account and Cash in Hand	28	80
TOTAL	1,947	2,680

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 Restated £'000
Amounts falling due within one year:		
Trade creditors	2,344	4,170
Accruals and deferred income	1,326	2,900
Rent and Service Income Received in Advance	234	330
Grants Received but not Applied	61	29
Money Held on Behalf of Tenants	1	35
Miscellaneous	20	21
Loan repayments in one year or less	14,000	13,000
Stock Transfer Obligation	13,257	9,065
TOTAL	31,243	29,550

12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Loans not repayable by instalments:		
Between 1 and 2 Years	-	-
Between 2 and 5 Years	6,850	6,000
Over 5 Years	49,000	49,000
Sub- Total	55,850	55,000
Other long-term Creditors:		
Grants Received but not Applied	2,656	1,998
Stock Transfer Obligation	75,344	88,601
TOTAL	133,850	145,599

Loans are secured by specific charges on the association's housing properties and land. The loans are repayable at varying rates of interest and are due to be repaid between 2018 and 2034.

The interest rate profile of the loans at 31 March 2016 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average rate %	Weighted average term Years
Loans due after > 1 year:	55,850	850	55,000	6.07	13.5

At 31 March 2016 the association had undrawn facilities with Barclays bank of £12.15m.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

13. PROVISIONS

	Capital Contracts £'000	Employee Redundancy £'000	Total £'000
As at 1 April 2015	300	28	328
Provisions Made in Year	50	-	50
Provisions Released in the Year	(300)	-	(300)
As at 31 March 2016	50	28	78

The timings of outflows relating to these provisions is uncertain but are expected to happen in the next 12 months.

14. NON EQUITY SHARE CAPITAL

	2016	2015
Shares of £1 each, fully paid and issued at par	£	£
At 1 April	48	49
Shares Issued During the Year	2	4
Resignations During the Year	(1)	(5)
At 31 March	49	48

15. CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	4,922	5,561
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	3,105	0
TOTAL	8,027	5,561
	2016	2015
	£'000	£'000
Anticipated financing sources:		
Committed loan facilities	6,701	5,561
Welsh Government Social Housing Grant	1,326	0
TOTAL	8,027	5,561

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

16. PENSION

The Association participates in two pension schemes:

Local Government Pension Scheme (LGPS)

Gwynedd Council pension scheme is a defined benefit scheme based on final pensionable salary. Certain employees of the Association participated in the scheme prior to the stock transfer taking place and, as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 12 April 2010. As part of the transfer agreement, liability for the proportion of the debt attributable to these employees that relates to the pre-transfer period rests with Gwynedd Council.

The gains and losses recognised by the Association therefore relate solely to the transfer period.

The most recent valuation was carried out at the 31st March 2013 and has been updated by independent actuaries to the scheme to take into account the requirements of FRS102 in order to assess the liabilities of the fund at 31st March 2016. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. The Association's contribution rate from 1st April 2015 to 31st March 2016 was 16.4% (16.4% in 2014/15) of members' pensionable pay.

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

Average Future Life Expectancy at Age 65	Males	Females
Current Pensioners	22.0 years	24.0 years
Future Pensioners	24.4 years	26.6 years
	% per annum	% per annum
	2016	2015
Pension Increase Rate	2.2%	2.5%
Salary Increase Rate	4.2%	4.4%
Expected Return on Assets	3.6%	3.3%
Discount Rate	3.6%	3.3%

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	% per annum	Market Value	% per annum	Market Value
	2016	2016	2015	2015
		£'000		£'000
Expected Return on Assets				
Equities	3.6	9,929	3.3	8,862
Bonds	3.6	1,904	3.3	1,677
Property	3.6	1,360	3.3	1,198
Cash	3.6	408	3.3	240
		13,601		11,977

The following amounts were measured in accordance with the requirements of FRS102:

	2016	2015
	£'000	£'000
Fair Value of Employer Assets	13,601	11,977
Present Value of Defined Benefit Obligation	(14,797)	(14,813)
Total Scheme (Liability) / Asset	(1,196)	(2,836)

The movement in the net surplus is as follows:

	2016	2015
	£'000	Restated £'000
Contributions Paid	992	1,009
Current Service Costs	(1,581)	(1,347)
Past Service Costs	(14)	(15)
Interest Cost	(520)	(479)
Expected Return on Employer Assets	319	1,241
Actuarial Gain / (Loss)	2,444	(2,375)
Net Movement in Year	1,640	(1,966)
	2016	2015
	£'000	£'000
Net Asset (Liability) at Commencement of Year	(2,836)	(870)
Net Movement in Year	1,640	(1,966)
Net Asset / (Liability) at Year End	(1,196)	(2,836)

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Social Housing Pension Scheme (SHPS)

The Association opened a Defined Contribution Scheme in May 2014. As at 31 March 2016, the Association had 23 active members contributing to the scheme. Total employer contributions in the year totalled £22,067

As the Association only operates a defined contribution scheme, its liability is limited to the value of the contributions made.

17. DIRECTORS' EMOLUMENTS

	2016	2015
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors	-	-
The aggregate emoluments paid to or receivable by executive Directors and former Directors	302,964	181,301
The emoluments paid to the highest paid Director excluding pension contributions:	113,322	112,200
The aggregate amount of any compensation paid to Directors or former Directors during the year of account.	-	-
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.	-	91,041

The Chief Executive is an ordinary member of the pension scheme. The Chief Executive's pension is a defined benefit scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team or its equivalent.

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18. EMPLOYEE INFORMATION

The average number of persons employed during the year expressed in full time equivalents (37 hours per week) is:

	2016	2015
	Number	Number
Office staff	184	192
Manual Staff	60	58
Wardens, caretakers and cleaners	7	8
TOTAL	251	258

	2016	2015
	£'000	£'000
Wages and Salaries	6,936	7,075
Social Security Costs	497	502
Pension Costs	975	997
TOTAL	8,408	8,574

Number of key management personnel whose remuneration (i.e. including pension) exceeded £50,000 in the period:

	Number
£80,000 to £90,000	2
£130,000 to £140,000	1

19. OPERATING LEASES

The Association holds properties, vehicles and office equipment under non-cancellable operating leases. As at 31 March 2016 the Association had commitments of future minimum lease payments as follows:

	2016	2015
	£'000	Restated
	£'000	£'000
Land and buildings:		
Within the next year	126	111
In the second to fifth years	97	163
In more than five years	-	-
	<hr/>	<hr/>
	223	274
Others:		
Within the next year	232	274
In the second to fifth years	327	545
In more than five years	-	-
	<hr/>	<hr/>
	559	819
	<hr/>	<hr/>
	782	1,093

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20. TAXATION STATUS

The Association has charitable status.

21. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	31 March 2016	31 March 2015
Under management at end of year:		
Housing accommodation	5,860	5,876
Supported housing	381	389
Sub-total	6,241	6,265
Under development at end of year	33	18
Total	6,274	6,283

22. RELATED PARTY TRANSACTIONS

The Board comprises of 4 Councillors, 4 Tenants and 4 Independent members

Each tenant member has a normal protected assured tenancy agreement and they were not able to use their position to obtain any advantage. As at 31st March 2016 the total value of arrears in respect of tenant members was nil.

All the transactions with Gwynedd Council are made at arms-length in normal commercial terms and they cannot use their position to their advantage.

23. FIRST TIME ADOPTION OF FRS 102

On adoption of FRS 102, the association has restated the comparatives. The impact on reserves is as follows:

	Reserves as at transition date 1 April 2014	Surplus / (deficit) year ended 31 March 2015	Reserves as at 31 March 2015
Note	£'000	£'000	£'000
As previously stated under former UK GAAP	31,658	3,608	35,266
Increase in depreciation of housing properties	a	(24)	(24)
Increase in amortisation of grants relating to housing properties	b	24	24
Inclusion of holiday pay accrual	c	(81)	(81)
As stated in accordance with FRS102	31,577	3,608	35,185

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- a, FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £24k and a decrease in the surplus for the year ended 31 March 2015 of £24k.
- b, FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £24k, and a £24k increase in the surplus for the year ended 31 March 2015.
- c, FRS102 requires that the cost of unused entitlement and short term employee benefits is measured and recognised in the reporting period. The effect is that unused holiday entitlement has now been recognised as an accrual at the reporting date. This has resulted in a decrease of reserves at transition of £81k and a decrease in the surplus for the year ended 31 March 2016 of £6k.