



**CASSILTOUN HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Registered Housing Association No. 84

FCA Registration No. 2190R(S)

Registered Charity No. SC035544

CASSILTOUN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

YEAR ENDED 31 MARCH 2018

Board of Management

| | |
|-------------------|------------|
| Anne M Stuart MBE | Chair |
| Evelyn Ferguson | Secretary |
| Teresa McGowan | Treasurer |
| George Kelly | Vice Chair |
| Adam Milligan | |
| Robert Brennan | |
| William Craig | |
| Teresa Sadler | |
| James Garrow | |
| Julie McNeil | |
| Debbie MacKenzie | |

Executive Officers

| | |
|----------------|------------------------|
| Charlie Millar | Chief Executive |
| Gamal Haddou | Director of Finance |
| Fiona McGowan | Director of Operations |

Registered Office

Castlemilk Stables
59 Machrie Road
Castlemilk
Glasgow
G45 0AZ

External Auditor

Scott-Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

Banker

Bank Of Scotland
82 Main Street
Rutherglen
G73 2HZ

Solicitor

T C Young
7 West George Street
Glasgow
G2 1BA

Registration particulars

| | |
|--|---|
| Financial Conduct Authority | Co-operative and Community Benefit Societies Act 2014 Registered Number 2190 R(S) |
| Scottish Housing Regulator | Housing (Scotland) Act 2010 Registered Number 84 |
| Office of the Scottish Charity Regulator | Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC 035544 |

CASSILTOUN HOUSING ASSOCIATION LIMITED

CONTENTS

| | Page |
|---|-------------|
| Report of the Board of Management (incorporating the Strategic Report) | 1 |
| Statement of the Board of Management's responsibilities | 10 |
| Statement on internal financial control | 11 |
| Report of the auditor on the financial statements | 12 |
| Report of the auditor on internal financial control | 15 |
| Group Statement of Comprehensive Income | 16 |
| Association Statement of Comprehensive Income | 17 |
| Group Statement of Changes in Capital and Reserves | 18 |
| Association Statement of Changes in Capital and Reserves | 19 |
| Group Statement of Financial Position | 20 |
| Association Statement of Financial Position | 21 |
| Group Statement of Cash Flows | 22 |
| Notes to the financial statements | 23 |

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

The Board of Management presents its Report of the Board of Management (incorporating the Strategic Report) and the financial statements for the year ended 31 March 2018.

Principal Activities

The principal activity of Cassiltoun Housing Association Limited is the development, management and maintenance of housing for people in housing need.

The Association has two subsidiaries, Cassiltoun Trust and Cassiltoun Stables Nursery Limited. Cassiltoun Trust is a charitable company established to conserve for the benefit of the public, buildings of historical and architectural significance; advance knowledge about the history and role of Castlemilk; and provide facilities for education, training, employment and recreational time. The principal activity of Cassiltoun Stables Nursery Limited is to provide a first class nursery childcare facility for 0-5 year olds set alongside a local park and woodland environment.

Cassiltoun Housing Association Limited is registered with the Financial Conduct Authority as a Community Benefit entity, The Office of the Scottish Charities Regulator (OSCR) as a Charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association is incorporated in Scotland.

The table below shows the property we own:-

| | 2018 | 2017 |
|---|--------------|--------------|
| | £ | £ |
| <i>Managed Property Numbers</i> | | |
| Tenanted Property | 975 | 982 |
| Shared Ownership Properties | 3 | 4 |
| Buchanan Lodge Residential Home (bedspaces) | 40 | 40 |
| Total | 1,018 | 1,026 |

There were seven properties sold under Right to Buy in the year and one shared owner buying their property outright.

Our Strategic Aims

Cassiltoun Housing Association Limited has as its Strategic Aims:

- To ensure our rents remain affordable by maintaining a stock base sufficient to achieve economies of scale and deliver effective services in a cost efficient way;
- Maintain the high quality of our housing and service provision, ensuring the comfort of tenants and the protection of investment;
- Contribute to the wellbeing of the local community by working with tenants, residents, partners and funders to develop initiatives that promote regeneration and increased levels of inclusion;
- Ensure that the work of the Cassiltoun Group is supported by good governance, effective financial, management and regulatory compliance and robust administrative and HR systems; and
- Ensure we attract and retain highly skilled and knowledgeable staff and Board members and develop our staff and Board members through education, training and coaching.

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Our Operational Objectives 2017/18

- To continue to recruit new board members to assist with the strategic leadership and direction of the Association;
- To support our Board of Management's agreed training and learning plan;
- To maintain performance across the activities set out in the Internal Management Plan, Operational Service Plan and Advice Team Service Plan;
- To ensure that we deliver the objectives set in the Asset Management Plan and effectively deliver our 2017/18 major repair improvement plans;
- Continue to maintain the effectiveness of our reactive, cyclical and environmental contracts;
- To support our Stables Nursery subsidiary in its fifth year of trading;
- To ensure that the Association's Welfare Reform mitigation plans are effective and that we remain flexible to managing the full range of welfare changes;
- To support Cassiltoun Trust in achieving its objectives, including finding a solution to the office heating system;
- To meet existing funders expectations and continue to seek other opportunities to continue with non-housing regeneration plans;
- To deliver the Castlemilk Park Events programme of 2017/18 and to continue the ongoing regeneration of the park;
- To take forward the plans outlined in the housing development feasibility report, (dated January 2016) for the church site, labour club site and local repairs office site and achieve 60% Housing Association Grant funding for this;
- To secure private finance facilities for our development programme;
- To complete a full energy efficiency survey to support the Association's EESSH plans before the 2020 deadline;
- To complete a comprehensive update of our stock condition survey.
- To retain our Healthy Working Lives Gold award; and
- To achieve Investor in People Platinum award.

Our Mission Statement

We aim to enhance the quality of life of our clients and to regenerate and sustain our community through housing-led and resident controlled initiatives.

Financial Review

Association

We performed well in the year despite the economic and welfare reform challenges facing our sector. Our rental trading income was in line with budget and we remain confident about the future. Turnover of £4,904k was better than expected due to an increase in the release of deferred Government capital grants due to the seven Right to Buy sales in the year.

Reactive maintenance costs shows an increase of 8% from last year due to greater demand and employing a handyman service. Planned maintenance will fluctuate from one year to another based on programmes of work and our stock investment plans.

Management and maintenance administration is 12% lower than a year ago largely due to insurance savings following a web based re-tendering exercise and more costs being allocated into wider role activities.

In the year the Board undertook a full self-assessment of the Scottish Housing Regulator's "Regulatory Standards of Governance and Financial Management". The self-assessment took 3 months to complete and produced detailed evidence of compliance against each standard which gave the Board reasonable assurance of overall compliance. The exercise was hugely beneficial and provided our Board members with the opportunity to thoroughly examine how the Association operates within the regulatory framework. An improvement action plan was approved to ensure that the Association's culture continues to deliver the required levels of compliance.

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Financial Review (continued)

The Association agreed to voluntarily take part in a procurement capability and capacity assessment. The Scottish Government expects organisations that use public funding to procure construction should undergo some form of assessment of its procurement capability and capacity. Funding was provided by the Scottish Government and a programme agreed by the SFHA and GWSF. The programme was delivered by Scotland Excel.

The outcome of the assessment was very positive, with a score of 70% achieved by the Association therefore demonstrating a high level of procurement compliance. This review provided our Board with additional independent assurance.

Group

The group turnover of £5,383k arises mainly from the housing association with additional sales from the Nursery and grant receipts from the Trust. Turnover is marginally above our expectations and costs are monitored closely within each entity.

Group profitability is higher than the Association as a result of improved Nursery trading.

The Nursery made a surplus of £27k and is on its way to trading profitably after losses in the initial years after start up. The Trust also reported a small surplus in the year of £6k as a result of a new lease agreement with Cassiltoun Housing Association Limited. The Trust's main asset is the Stables building and the on-going problems with the ground source heating system have been by-passed, in the short term, with the introduction on new electrical wall heaters proving heating to the offices and rooms.

Principal Risk and Uncertainties

The Group has a robust planning framework in place which includes how we manage risk and uncertainties. In our Internal Management Plan we set out risks that we anticipate and explain how we monitor and manage risks. We regularly review and consider risks in all decision making.

Welfare reform changes have been mitigated through having a Money Advice Team to support tenants and owners helping them manage and budget personal finances. The affordability of pensions is under scrutiny and external advice has been taken on continuing the final salary scheme. This scheme is closed to new entrants and auto enrolment commenced in June 2017 with a defined contribution scheme and an employer's rate of 6% which meets the Pension Quality Mark. The EU referendum result is unlikely to have a significant impact on the Association as there is no exposure to house selling from development activity and interest rates on loans are significantly fixed.

A review of the Risk Policy and Risk Register was undertaken during the year to ensure that the Group is prepared to mitigate risks that exist now or may arise in the future and we continue to focus on our business plan objectives.

Future Plans

Association

The Association has developed advanced plans to proceed with phase one of our new build housing proposals. Phase one is known as "Barlia 3" and we anticipate a site start of October 2018 to complete 42 units with a construction period of approximately one year. This will be followed by phase two of our development plans by taking forward proposals to build a 55 unit development at Castlemilk Drive and anticipate a site start around February 2020.

We anticipate the completion of the feasibility study of our phase 3 development by Q2 of 2018/19. The Board will consider their options for this site and continue to work closely with Glasgow City Council and our other key stakeholders, including the Scottish Housing Regulator.

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Future Plans (continued)

The new build housing will help many local people who require larger and smaller accommodation and we anticipate further housing needs being met as a result of internal transfers.

Our full development plan can be read by visiting our website.

The Association will also review how we deliver future services such as close cleaning and environmental maintenance. The Board will consider their options by looking at ways to deliver greater value for money for our tenants and owner occupiers and by seeing how we can make service improvements on the quality and efficiency of the services currently provided.

A recent feasibility report was produced by CEIS which examined the business advantages and risks of creating a new subsidiary company therefore careful consideration will be taken as we review these service areas in the next 12-24 months.

Group

After increasing its registration in 17/18 Stables Nursery will continue to take on additional children over the coming year. The Nursery was also awarded funding from Aspiring Communities Fund in the latter part of 17/18 and this year we look forward to increasing the provision of childcare in the woodland.

Cassiltoun Trust will continue its work with the wider community both in the Stables and in the local woodland by offering a wide range of community focussed activities, improving the greenspace and creating opportunities for volunteering and training.

During the coming year we plan to undertake a succession plan review for Board members across our Group structure.

Financial and Non-Financial Key Performance Indicators

Key financial information is as follows:

Association

| | 2017/18 | 2016/17 |
|---|-----------|-----------|
| Staff Costs / Turnover | 23.0% | 23.0% |
| Management Administration Costs / Turnover | 22.7% | 26.5% |
| Reactive Maintenance / Turnover | 13.2% | 12.6% |
| Bank loan Interest Payable / Turnover | 5.4% | 5.8% |
| Current Ratio (current assets / current liabilities) | 2.9 times | 3.2 times |
| Bank loan interest Cover (operating surplus/bank loan interest) | 2.6 times | 2.5 times |
| Asset cover (total assets less current liabilities / creditors > 1yr) | 1.3 times | 1.2 times |
| Debt per Housing Unit | £6,986 | £7,266 |

Group

| | 2017/18 | 2016/17 |
|--|---------|---------|
| Staff Costs / Turnover | 25.5% | 25.2% |
| Management Administration Costs / Turnover | 19.7% | 21.0% |
| Average number of days to pay suppliers | 21 days | 20 days |

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Corporate Governance

Our governing body is our Board of Management which is responsible to the wider membership. Board of Management members serve in a voluntary and unpaid capacity and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work.

The Board of Management is elected by the members of the Association. It is the responsibility of the Board to oversee and lead the strategy and overall direction of the Association, set policy and monitor the operational activities of the Association and its subsidiary companies.

As part of our commitment to continuous improvement we have once again set challenging targets, which are regularly monitored and reviewed by the Board of Management and Senior Management Team.

Going Concern

The Board of Management has reviewed this year's results and projections for the next 5 years. The Board has a strong expectation that the Group and Association has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting is adopted in preparing the financial statements.

Performance Management

During 2017/18, the Association demonstrated continuous improvement in many areas of our performance and excellent signs of stability in others underpinned by a planning framework set out as follows. All our staff take part in the business review sessions during our annual review day when we sign off the 3 year Internal Management Plan and 30 year Business Plan. This has been supported by the use of clear planning tools such as SMART planning, the Operational Service Plan, the Asset Management Plan and the Association's Financial Business Plans.

The Association produced its third Tenants Charter Report Card in October 2017 which outlined our charter performance and how we benchmark locally and against the Scottish average. Furthermore, areas that require action for improvement have been identified and published.

We have demonstrated that the shared goals that are understood by all our people allows us to improve as an organisation, which will ultimately lead to our tenants receiving the best housing service possible, combined with other activities and non-housing services that the Association delivers with its partners.

We receive very few complaints of a serious nature and we take prompt action to resolve and learn from those received.

Best use of resources

In the year the Association was recognised as a Platinum Investors in People organisation. Our ongoing performance, future improvements and strong customer focus depends on a highly motivated and well trained staff team and we believe our performance, high levels of tenant satisfaction and attendance management demonstrates this. Investment in our staff team is critical to our success.

Our planned major repairs programme achieved its target by delivering:-

- 172 new double glazed windows in the Tormusk area and Hoddam Extension
- 49 new flat front entrance doors in Hoddam Extension
- 35 closes were painted in the Tormusk area.

Our reactive repairs service is delivered by one multi trade contractor after a robust procurement exercise and has been successful for the third year in succession. Tenant satisfaction levels are consistently high with performance levels between 99% and 100% regularly achieved. Tenants continue to play a vital role in monitoring this performance.

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Best use of resources (continued)

During the year we completed 3,497 repairs, a reduction of 828 from the year prior. The table below summarises our targets, repair type and performance.

| CATEGORY | TARGET | NUMBER | COMPLETED ON TIME | % COMPLETED WITHIN TIME |
|--------------------|------------------|--------|-------------------|-------------------------|
| Emergency | 6 hours | 668 | 665 | 100.0% |
| Urgent and Routine | 3 days / 10 days | 2,829 | 2,829 | 100.0% |

Void management performance continues to be strong, despite an increase in void properties this year. The Association set a challenging target of £10k (0.25%) for rent lost through voids and we achieved 0.27%. Although this is slightly over the target it is still below our business planning assumption which is a very conservative at 2%.

The Association's arrears management faced a number of challenges although performance managed to be better than the target despite the risks posed by Welfare Reform. We believe that our planned approach to the risks surrounding rental income and arrears levels is being controlled and managed effectively:

Budget target was 2.8%

Performance was 2.6%

The Association continues to prioritise the emerging risks associated with Welfare Reform changes by maintaining current staffing resources to assist tenants and to cope with the associated additional work load. We believe our approach has helped to maintain good performance and mitigate this risk.

Following on from previous years we believe that sustained performance has been achieved against a backdrop of business growth and a demanding policy context. The uncertainty caused by the Brexit, political uncertainty and the potential impact on the economy has continued to focus the Board's attention on achieving better value for money and greater efficiencies. This is supported by continuous monitoring to ensure that our key targets are met and also to allow us to take corrective action should the Association encounter unplanned trends or changes that may adversely affect it.

The Association's overall performance demonstrates that the Board has a successful strategy in place to achieve its aims and it continues to prepare for the future impact and risks that welfare reform changes will have on our business.

We will continue to support tenants throughout the introduction of Universal Credit to help minimise risks for tenants and the Association. Our Welfare and Money Advice Team has been in place from April 2014 and made significant progress assisting tenants to maximise their benefits and manage debts and costs more effectively. The benefit of this to the Association is directly translated into lower arrears over the past three years and more staff time to devote to service delivery.

Like every other housing association and local authority with housing stock, the Association has ensured that its properties meet the "Scottish Housing Quality Standard". This was independently verified and is excellent news for our tenants and for our long term financial forecasting.

The Association has a planning framework in place to review and update our approach to ensuring that the Energy Efficiency Targets set by the Scottish Government are in place for 2020.

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Regeneration Activities

External funding of £315k across the Group has enabled the Association to continue to develop and expand its successful regeneration programme. The organisation has worked with a wide range of funders and partners and has continued to; offer work placements to young people, advice provision for state benefits and debt advice but also furniture grants and 'home start' packages, deliver the successful 'Stables Studio' art programme for over 50's that prevents social isolation, offer volunteering opportunities in the community garden and regenerating Castlemilk Park through a range of events and activities including programmes of Branching Out, Forest Kindergarten, volunteering, employability, education and health initiatives.

The Association has also organised a number of well attended events for tenants and the wider community throughout the year. These give local people (and people new to the area) the chance to socialise and make new friends. It also helps Castlemilk to be seen as a thriving, vibrant place to live, work and visit.

Events have included

- Summer family trip and Christmas pantomime;
- Summer outing for the over 40s;
- A Pumpkin festival culminating with a Halloween walk attended by over 2,000 people;
- A festival of Sport;
- World Peace Day celebration.

The Association has continued to support the growth and development of its social enterprise subsidiary, Cassiltoun Stables Nursery Limited. The Nursery continues to create employment as child numbers increase, with staff numbers now reaching 22, and provide training and student placements. By March 2018 there were 76 children attending the nursery, either part or full-time. This is the equivalent of 44 full time children compared to 32 at the start of the year.

Operations

Again like previous years we continued to make further improvements to our operational performance through the ongoing integration of service provision, which was underpinned by our robust Operational Service Plan. Our staff have clear targets and objectives to achieve these are regularly monitored by the Senior Management Team and Board of Management.

Feedback from tenants remains positive with regular high levels of overall satisfaction being identified from satisfaction surveys.

Business Continuity Plan

The Board has a combined plan with robust procedures in place to deal with disasters and any severe business interruptions.

In recent years the Board become more concerned over business interruption and service delivery during severe winter weather and heavy snow. Staff efforts and one 4x4 vehicle was used effectively to keep the office open this winter.

Performance Review

The Board carries out two major strategic performance reviews each year to ensure that our Strategic and Operational Objectives are carefully monitored. The Association uses a traffic light monitoring system (six month reviews and quarterly operational reports) to quickly identify any sign that a set objective may not be achieved. At the end of the year we were pleased that 13 of our 16 objectives were achieved or making considerable progress with no concern.

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Policies and Procedures

The Board approves policy and procedures on a rolling basis unless changes in guidance or legislation enforce earlier reviews. The Association has over 70 policies and procedures that provide the necessary guidance on how it runs and manages its business in accordance with these procedures and rules.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period increased one day to 21 days from receipt of invoice via a weekly payment run. The target set is within 22 days.

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the provided accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties.

Budgetary Process

Each year the Board approves the budget and rolling five-year strategic plan where key risk areas are identified. Performance is monitored and relevant action taken throughout the year with monthly reporting to the Senior Management Team and bi-monthly Board reporting. Variations from the budget are explained and updated forecasts are prepared together with information on key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due. Excess balances are placed on short term deposits between 1-18 months. The Association, as a matter of policy, does not enter into transactions of a speculative nature. At March 2018 the Association continued to have a mix of 55% long term fixed and 45% variable rate loan finance.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

Board of Management

The Board of Management of Cassiltoun Housing Association Limited during the year to 31 March 2018 was as follows:

| | |
|-------------------|---|
| Anne M Stuart MBE | Chair |
| Teresa McGowan | Treasurer |
| Evelyn Ferguson | Secretary |
| George Kelly | Vice-Chair |
| Adam Milligan | |
| Robert Brennan | |
| William Craig | |
| James Garrow | |
| Teresa Sadler | |
| Julie McNeil | |
| Debbie MacKenzie | Co-optee (26 April 2017 – 14 Aug 2017) Elected (14 Aug 2017) |

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2018

Board of Management (continued)

| | | |
|--------------------------|---|--------------------------|
| Sub-committee membership | 6 | Staffing |
| | 5 | Development & Wider Role |
| | 5 | Operations |
| | 5 | Audit |

Both subsidiaries are managed by their individual Boards and have at least one member from the housing association. The subsidiaries choose Board members who have specific expertise in a similar field and meet at least 4 times a year.

Each member of the Board of Management holds one fully paid share of £1 in Cassiltoun Housing Association Limited. The executive officers of Cassiltoun Housing Association Limited hold no interest in its share capital and although not having the legal status of a "director" they act as executives within the authority delegated by the Board.

During the year Board members continued their internal and external training sessions as identified during formal appraisal and needs assessment. The outcome was to identify individual strengths and weaknesses and to create training plans that will improve their effectiveness as Board members. In addition 1-to-1 interviews between the Chief Executive and Association office bearers are carried out.

Disclosure of Information to the Auditor

To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

- So far as the Board of Management members are aware, there is no relevant information of which the Group's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Board of Management member in order to make himself/herself aware of any relevant audit information, and to establish that the Group's auditor is aware of the information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the members at the Annual General Meeting.

By order of the Board of Management

Secretary

Evelyn Fe

Date: 27 June 2018

CASSILTOUN HOUSING ASSOCIATION LIMITED

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 requires the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and Group and of the income and expenditure of the Association and Group for that period. In preparing those Financial Statements, the Board of Management is required to:-

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

The Board of Management is responsible for proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and of the Group. The Board of Management must ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator. It is also responsible for safeguarding the assets of the Association and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CASSILTOUN HOUSING ASSOCIATION LIMITED
STATEMENT ON INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31 MARCH 2018

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association and the Group has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:-

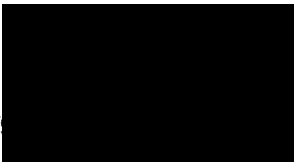
- the reliability of financial information used within the Association and the Group, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's and the Group's systems include ensuring that:-

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

The Board of Management have reviewed the system of internal financial control in existence in the Association and the Group for the year ended 31 March 2018 and until the date these financial statements have been signed. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Board of Management

Secretary: 

Evelyn Fer

Date: 27 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASSILTOUN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Cassiltoun Housing Association Limited (the association) and its subsidiaries (the group) for the year ended 31 March 2018 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Changes in Capital and Reserves, the Group and Association Statement of Financial Position, the Group Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2018 and of the group's and parent association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

CASSILTOUN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASSILTOUN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-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 by the parent association; or
- the parent association has not kept proper accounting records; or
- the parent association's 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.

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 10, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

CASSILTOUN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASSILTOUN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the parent 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 parent association's members, as a body, 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 parent association and the parent association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 27 June 2018

CASSILTOUN HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITOR TO THE MEMBERS OF CASSILTOUN HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31 MARCH 2018

In addition to our audit of the Financial Statements, we have reviewed your statement on page 11 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for any non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 11 has provided the disclosures required by the relevant Regulatory Standards 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 consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



Scott-Moncrieff, Statutory Auditor

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 27 June 2018

CASSILTOUN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------------|-------------------------|-----------------------|
| Turnover | 4 | 5,383,266 | 5,180,313 |
| Operating expenditure | 4 | <u>(4,277,779)</u> | <u>(4,069,799)</u> |
| Operating surplus | 4, 8 | 1,105,487 | 1,110,514 |
| (Loss)/gain on sale of property, plant and equipment | 9 | (124,754) | 11,315 |
| Interest receivable | | 31,419 | 39,352 |
| Interest and financing costs | 10 | <u>(286,188)</u> | <u>(317,194)</u> |
| Surplus before tax | | 725,964 | 843,987 |
| Taxation | 11 | <u>-</u> | <u>-</u> |
| Surplus for the year | | 725,964 | 843,987 |
| Other comprehensive income / (loss) | | | |
| Actuarial gain/(loss) in respect of pension scheme | 24 | <u>371,000</u> | <u>(313,000)</u> |
| Total comprehensive income for the year | | <u>1,096,964</u> | <u>530,987</u> |

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CASSILTOUN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------------|--------------------|-------------|
| Turnover | 4 | 4,903,606 | 4,762,385 |
| Operating expenditure | 4 | (3,836,379) | (3,798,083) |
| Operating surplus | 4, 8 | 1,067,227 | 964,302 |
| (Loss)/gain on sale of property, plant and equipment | 9 | (124,754) | 11,315 |
| Interest receivable | | 35,422 | 45,452 |
| Interest and financing costs | 10 | (285,416) | (316,364) |
| Surplus before tax | | 692,479 | 704,705 |
| Taxation | 11 | - | - |
| Surplus for the year | | 692,479 | 704,705 |
| Other comprehensive income / (loss) | | | |
| Actuarial gain/(loss) in respect of pension scheme | 24 | 371,000 | (313,000) |
| Total comprehensive income for the year | | 1,063,479 | 391,705 |

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CASSILTOUN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Restricted reserve £ | Revenue reserve £ | Total reserves £ |
|---|-----------------------|----------------------------|-------------------------|------------------------|
| Balance at 1 April 2017 | 277 | 1,915 | 6,058,003 | 6,060,195 |
| Total comprehensive income for the year | - | 9,085 | 1,087,827 | 1,096,964 |
| Shares issued during the year | 25 | - | - | 25 |
| Shares cancelled during the year | (47) | - | - | (47) |
| Transfer | - | - | - | - |
| Balance at 31 March 2018 | <u>255</u> | <u>11,000</u> | <u>7,145,882</u> | <u>7,157,137</u> |

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2017

| | <i>Share capital £</i> | <i>Restricted reserve £</i> | <i>Revenue reserve £</i> | <i>Total reserves £</i> |
|---|--------------------------------|-------------------------------------|----------------------------------|---------------------------------|
| Balance at 1 April 2016 | 343 | 543 | 5,528,388 | 5,529,274 |
| Total comprehensive income for the year | - | 1,372 | 529,615 | 530,987 |
| Shares issued during the year | 36 | - | - | 36 |
| Shares cancelled during the year | (102) | - | - | (102) |
| Transfer | - | - | - | - |
| Balance at 31 March 2017 | <u>277</u> | <u>1,915</u> | <u>6,058,003</u> | <u>6,060,195</u> |

The notes form part of these financial statements

CASSILTOUN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Revenue reserve £ | Total reserves £ |
|---|--------------------------------|----------------------------------|---------------------------------|
| Balance at 1 April 2017 | 277 | 5,713,660 | 5,713,937 |
| Total comprehensive income for the year | - | 1,063,479 | 1,063,479 |
| Shares issued during the year | 25 | - | 25 |
| Shares cancelled during the year | (47) | - | (47) |
| Transfer | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2018 | <u>255</u> | <u>6,777,139</u> | <u>6,777,394</u> |

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2017

| | <i>Share capital £</i> | <i>Revenue reserve £</i> | <i>Total reserves £</i> |
|---|--------------------------------|----------------------------------|---------------------------------|
| Restated balance at 1 April 2016 | 343 | 5,321,955 | 5,322,298 |
| Total comprehensive income for the year | - | 391,705 | 391,705 |
| Shares issued during the year | 36 | - | 36 |
| Shares cancelled during the year | (102) | - | (102) |
| Transfer | - | 7,000 | - |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2017 | <u>277</u> | <u>5,713,660</u> | <u>5,713,937</u> |

The notes form part of these financial statements

CASSILTOUN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

| | Notes | £ | 2018 £ | £ | 2017 £ |
|---|-------|-------------|-------------------|------------------|-------------------|
| Tangible fixed assets | | | | | |
| Housing properties | 12(a) | 30,818,560 | | 31,012,407 | |
| Other fixed assets | 12(b) | 526,236 | | 504,853 | |
| | | | 31,344,796 | | 31,517,260 |
| Current assets | | | | | |
| Debtors | | | | | |
| Amounts falling due within one year | 15(b) | 181,496 | | 139,691 | |
| Current asset investments | 16(a) | 3,800,000 | | 3,600,000 | |
| Cash and cash equivalents | 16(b) | 618,856 | | 907,903 | |
| | | | 4,600,352 | 4,647,594 | |
| Creditors: amounts falling due within one year | 17 | (1,588,811) | | (1,476,921) | |
| Net current assets | | | 3,011,541 | | 3,170,673 |
| Total assets less current liabilities | | | 34,356,337 | | 34,687,933 |
| Creditors - Amounts falling due after more than one year | 18 | | (27,021,200) | | (28,108,738) |
| Pension liability | 24 | | (178,000) | | (519,000) |
| Net assets | | | 7,157,137 | | 6,060,195 |
| Capital and reserves | | | | | |
| Share capital | 21 | | 255 | | 277 |
| Revenue reserve | 21 | | 7,145,882 | | 6,058,003 |
| Restricted reserve | 21 | | 11,000 | | 1,915 |
| | | | 7,157,137 | | 6,060,195 |

The financial statements were authorised for issue by the Board of Management on 27 June 2018 and signed on its behalf by:

Chair
Anne M Stuart MBE

Treasurer
Teresa McGowan

The notes form part of these financial statements.

CASSILTOUN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

| | Notes | £ | 2018 £ | £ | 2017 £ |
|---|-------|--------------------|---------------------|--------------------|---------------------|
| Tangible fixed assets | | | | | |
| Housing properties | 12(a) | 30,818,560 | | 31,012,407 | |
| Other fixed assets | 12(b) | 74,212 | | 57,371 | |
| Investments | 14 | 67,296 | | 67,296 | |
| | | | 30,960,068 | | 31,137,074 |
| Current assets | | | | | |
| Debtors | | | | | |
| Amounts falling due after more than one year | 15a | 80,000 | | 90,000 | |
| Amounts falling due within one year | 15b | 146,906 | | 146,846 | |
| Current asset investments | 16a | 3,800,000 | | 3,600,000 | |
| Cash and cash equivalents | 16b | 518,100 | | 820,882 | |
| | | 4,545,006 | | 4,657,728 | |
| Creditors – Amounts falling due within one year | 17 | (1,528,480) | | (1,453,127) | |
| | | | 3,016,526 | | 3,204,601 |
| Net current assets | | | | | |
| Total assets less current liabilities | | | 33,976,594 | | 34,341,675 |
| Creditors – Amounts falling due after more than one year | 18 | | (27,021,200) | | (28,108,738) |
| Pension liability | 24 | | (178,000) | | (519,000) |
| Net assets | | | 6,777,394 | | 5,713,937 |
| Capital and reserves | | | | | |
| Share capital | 21 | | 255 | | 277 |
| Revenue reserve | 21 | | 6,777,139 | | 5,713,660 |
| | | | 6,777,394 | | 5,713,937 |

The financial statements were authorised for issue by the Board of Management on 27 June 2018 and signed on its behalf by:

Chair
Anne M Stuart MBE

Treasurer
Teresa McGowan

Evelyn Ferguson

The notes form part of these financial statements.

CASSILTOUN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|--|-----------|------------------|------------------|
| Net cash generated from operating activities | 22 | 1,301,780 | 1,006,707 |
| Cash flow from investing activities | | | |
| Purchase of housing properties | | (1,062,408) | (1,043,393) |
| Purchase of other fixed assets | | (59,799) | (1,086) |
| Proceeds from sale of housing properties | | 79,943 | 143,905 |
| Government capital grants received | | 27,887 | 239,883 |
| Interest received | | 31,419 | 39,352 |
| | | <u>(982,958)</u> | <u>(621,339)</u> |
| Cash flow from financing activities | | | |
| Interest paid | | (265,188) | (278,194) |
| Repayment of borrowings | | (342,706) | (334,185) |
| Issue of share capital | | 25 | 36 |
| | | <u>(607,869)</u> | <u>(612,343)</u> |
| Net change in cash and cash equivalents in the year | | (289,047) | (226,975) |
| Cash and cash equivalents at 1 April | 16b | 907,903 | 1,134,878 |
| Cash and cash equivalents at 31 March | 16b | 618,856 | 907,903 |

The notes form part of these financial statements.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Group, consisting of Cassiltoun Housing Association Limited and its two fully owned subsidiaries, Cassiltoun Trust and Cassiltoun Stables Nursery Limited drawn up for the year ended 31 March 2018.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HCB 084.

The Association's Scottish Charity number is SC035544. The registered address is included on the first page of the financial statements.

2. Accounting policies

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

A summary of the principal accounting policies is set out below.

(a) Basis of preparation

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2018 and of the results for the year ended on that date.

(b) Going Concern

The Board of Management has a reasonable expectation that the Association and its subsidiaries have adequate resources, based on a review of long term forecasts to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the Financial Statements.

(c) Turnover

Cassiltoun Housing Association Limited

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, Glasgow City Council and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners.

Cassiltoun Stables Nursery Limited

Incoming resources are recognised when the charitable company has legal entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Cassiltoun Trust

All voluntary income including grants and bank interest is accounted for when the charitable company has legal entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Rental income relates to let properties and is applied to the period in which it relates.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

(d) Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

(e) Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

(f) Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

(g) Housing properties

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings;
- (ii) development expenditure including applicable overheads; and
- (iii) interest charged during the construction phase on the loans raised to finance the scheme.

These costs are either termed "qualifying costs" for approved Government Grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end. Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not excessive. Expenditure on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the scheme will not be developed to completion.

(h) Sales of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

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

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (continued)

(i) Depreciation of housing properties

Housing Properties are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

| | |
|---------------------------------|-----------------|
| Land | Not depreciated |
| Structure | Over 60 years |
| Roofs | Over 45 years |
| Electrical Wiring | Over 30 years |
| Windows | Over 25 years |
| Bathrooms | Over 20 years |
| Kitchens | Over 15 years |
| Heating (boilers and radiators) | Over 15 years |

(j) Depreciation of other fixed assets

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

| | | | |
|---------------------|-----|--------------|-----|
| Furniture | 20% | Vehicles | 25% |
| Fixtures & Fittings | 20% | IT Equipment | 20% |

(k) Capitalisation of major repairs expenditure

The Association capitalises major repairs expenditure where these works are a replacement or restoration of a separate identifiable component or where the works result in an enhancement of economic benefits of the tangible fixed assets. Such enhancement can occur if the improvements result in an increase in rental income, a reduction in future maintenance costs or a significant extension to the life of the component.

Works which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

(l) Capitalisation of development overheads

Directly attributable development costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

(m) Impairment of fixed assets

Reviews for impairment of fixed assets are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use or in the case of housing properties, its depreciated replacement cost. Value in use represents the net present value of expected future cash flows from these units.

(n) Debtors

Short term debtors are measured at transaction price, less any impairment.

(o) Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Management regularly review rental arrears and write them down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Notes 15a and 15b.

(p) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Principal accounting policies (continued)

(q) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(r) Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and group undertakings.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

(s) Government capital grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

(t) Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

(u) Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

(v) Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (continued)

(w) Retirement benefits

The Scottish Housing Association Defined Benefits Pension Scheme

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The Strathclyde Pension Fund

The Strathclyde Pension fund is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPs pension scheme

The obligations under the Strathclyde Pension Fund

The allocation of costs for shared ownership

Basis of estimation

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

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

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

Management and administration costs are apportioned on the basis of costs of staff directly attributable to the management of the shared ownership units.

CASSILTOUN HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018

4. Particulars of turnover, operating expenditure and operating surplus

| Group | Notes | 2018 Turnover £ | 2018 Operating Expenditure £ | 2018 Operating Surplus/ (Deficit) £ | 2017 Turnover £ | 2017 Operating Expenditure £ | 2017 Operating Surplus/ (Deficit) £ |
|------------------------------------|-------|-----------------------|---------------------------------------|---|-----------------------|---------------------------------------|---|
| Social Lettings | 5a | 4,581,945 | (3,202,594) | 1,379,351 | 4,455,949 | (3,116,127) | 1,339,822 |
| Other Activities | 5b | 298,471 | (583,969) | (285,498) | 290,872 | (507,904) | (217,032) |
| Cassiltoun Stables Nursery Limited | | 390,513 | (293,138) | 97,375 | 319,793 | (245,611) | 74,182 |
| Cassiltoun Trust | | 112,337 | (198,078) | (85,741) | 113,699 | (200,157) | (86,458) |
| TOTAL | | 5,383,566 | (4,277,779) | 1,105,487 | 5,180,313 | (4,069,799) | 1,110,514 |
| Association | | | | | | | |
| Social Lettings | 5a | 4,581,945 | (3,252,410) | 1,329,535 | 4,455,949 | (3,290,179) | 1,165,770 |
| Other activities | 5b | 321,661 | (583,969) | (262,308) | 306,436 | (507,904) | (201,468) |
| | | 4,903,606 | (3,836,379) | 1,067,227 | 4,762,385 | (3,798,083) | 964,302 |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5a. Particulars of turnover, operating expenditure and operating surplus from social lettings

| Group | General Needs Housing £ | Shared Ownership £ | 2018 £ | 2017 £ |
|--|----------------------------------|--------------------------|------------------|------------------|
| Social Lettings | | | | |
| Rent receivable net of identifiable service charges | 3,926,824 | 6,563 | 3,933,387 | 3,871,509 |
| Service charges receivable | 12,581 | 1,406 | 13,987 | 14,077 |
| Gross Income from Rents and Service Charges | 3,939,405 | 7,969 | 3,947,374 | 3,885,586 |
| Less: Rent losses from voids | (10,077) | - | (10,077) | (4,895) |
| Release of deferred Government capital grants | 644,648 | - | 644,648 | 575,258 |
| Total Turnover from Social Letting Activities | 4,573,976 | 7,969 | 4,581,945 | 4,455,949 |
| Operating Expenditure | | | | |
| Management & maintenance administration costs | 1,056,656 | 4,740 | 1,061,396 | 1,088,600 |
| Service costs | 26,375 | - | 26,375 | 33,081 |
| Planned and cyclical maintenance including major repairs | 391,393 | 859 | 392,252 | 319,960 |
| Reactive maintenance | 648,374 | 712 | 649,086 | 601,622 |
| Bad debts – rent and service charges | 19,212 | - | 19,212 | 20,023 |
| Depreciation of social housing | 1,051,852 | 2,421 | 1,054,273 | 1,052,841 |
| Operating Expenditure for Social Letting Activities | 3,193,862 | 8,732 | 3,202,594 | 3,116,127 |
| Operating Surplus for Social Lettings 2018 | 1,380,114 | (763) | 1,379,351 | |
| Operating Surplus for Social Lettings 2017 | 1,340,157 | (335) | | 1,339,822 |

There is no other accommodation except for general needs and shared ownership housing.

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil, (2017 - £nil).

Included in depreciation of social housing is £nil (2017 - £29,269) relating to the loss on disposal of components.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5a. Particulars of turnover, operating expenditure and operating surplus from social lettings

Association

| | General Needs Housing £ | Shared Ownership £ | 2018 £ | 2017 £ |
|--|----------------------------------|--------------------------|------------------|------------------|
| Social Lettings | | | | |
| Rent receivable net of identifiable service charges | 3,926,824 | 6,563 | 3,933,387 | 3,871,509 |
| Service charges receivable | 12,581 | 1,406 | 13,987 | 14,077 |
| Gross Income from Rents and Service Charges | 3,939,405 | 7,969 | 3,947,374 | 3,885,586 |
| Less: Rent losses from voids | (10,077) | - | (10,077) | (4,895) |
| Release of deferred Government capital grants | 644,648 | - | 644,648 | 575,258 |
| Total Turnover from Social Letting Activities | 4,573,976 | 7,969 | 4,581,945 | 4,455,949 |
| Operating Expenditure | | | | |
| Management & maintenance administration costs | 1,106,472 | 4,740 | 1,111,212 | 1,262,652 |
| Service costs | 26,375 | - | 26,375 | 33,081 |
| Planned and cyclical maintenance including major repairs | 391,393 | 859 | 392,252 | 319,960 |
| Reactive maintenance | 648,374 | 712 | 649,086 | 601,622 |
| Bad debts – rent and service charges | 19,212 | - | 19,212 | 20,027 |
| Depreciation of social housing | 1,051,852 | 2,421 | 1,054,273 | 1,052,837 |
| Operating Expenditure for Social Letting Activities | 3,243,678 | 8,732 | 3,252,410 | 3,290,179 |
| Operating Surplus for Social Lettings 2018 | 1,330,298 | (763) | 1,329,535 | |
| Operating Surplus for Social Lettings 2017 | 1,166,105 | (335) | | 1,165,770 |

There is no other accommodation except for general needs and shared ownership housing.

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil, (2017: £nil).

Included in depreciation of social housing is £nil (2017: £29,269) relating to the loss on disposal of components

CASSILTOUN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5b – Particulars of turnover, operating expenditure and operating surplus or deficit from other activities

| Group | Grants from Scottish Ministers £ | Other revenue grants £ | Supporting people income £ | Other Income £ | Total Turnover £ | Operating expenditure – bad debts £ | Other operating expenditure £ | Operating surplus/ (deficit) 2018 £ | Operating surplus/ (deficit) 2017 £ |
|---|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|--|----------------------------------|--|--|
| Wider role activities | 20,000 | 207,094 | - | 1,603 | 228,697 | - | 385,285 | (156,588) | (153,510) |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 64,471 | 64,471 | 5,921 | 52,373 | 6,177 | (3,316) |
| Development and construction of property activities | 3,141 | - | - | - | 3,141 | - | 61,881 | (58,740) | 9,904 |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for other RSLs | - | - | - | - | - | - | - | - | - |
| Agency/management services | - | - | - | 2,162 | 2,162 | - | 78,509 | (76,347) | (70,110) |
| Developments for sale to RSLs | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale to RSLs | - | - | - | - | - | - | - | - | - |
| Total from other activities 2018 | 23,141 | 207,094 | - | 68,236 | 298,471 | 5,921 | 578,048 | (285,498) | |
| Total from other activities 2017 | 31,198 | 201,958 | - | 57,716 | 290,872 | (4,016) | 511,920 | | (217,032) |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5b – Particulars of turnover, operating expenditure and operating surplus or deficit from other activities

| Association | Grants from Scottish Ministers £ | Other revenue grants £ | Supporting people income £ | Other Income £ | Total Turnover £ | Operating expenditure – bad debts £ | Other operating expenditure £ | Operating surplus / (deficit) 2018 £ | Operating surplus / (deficit) 2017 £ |
|---|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|--|----------------------------------|---|---|
| Wider role activities | 20,000 | 207,094 | - | 1,603 | 228,697 | - | 385,285 | (156,588) | (153,510) |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 64,471 | 64,471 | 5,921 | 52,373 | 6,177 | (3,316) |
| Development and construction of property activities | 3,141 | - | - | - | 3,141 | - | 61,881 | (58,740) | 9,904 |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for other RSLs | - | - | - | - | - | - | - | - | - |
| Agency/management services | - | - | - | 25,352 | 25,352 | - | 78,509 | (53,157) | (54,546) |
| Developments for sale to RSLs | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale to RSLs | - | - | - | - | - | - | - | - | - |
| Total from other activities 2018 | 23,141 | 207,094 | - | 91,426 | 321,661 | 5,921 | 578,048 | (262,308) | |
| Total from other activities 2017 | 31,198 | 201,958 | - | 73,280 | 306,436 | (4,016) | 511,920 | | (201,468) |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

6. Directors' emoluments – Group and Association

The Directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management. No emoluments were paid to any member of the Board of Management during the year.

The Association considers key management personnel to be the Board of Management and senior management team, consisting of the Chief Executive, Director of Finance and Director of Operations.

| | 2018 | <i>2017</i> |
|---|----------------------|---------------|
| | £ | £ |
| Emoluments of Chief Executive (excluding pension contributions) | <u>84,331</u> | <u>82,274</u> |

The Chief Executive is an ordinary member of the Association's SHAPs pension scheme described in Note 23. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the year amounted to £45,930 (2017 - £44,442), which includes a proportion of the deficit contribution payment made to the scheme in the year (Note 23).

| | 2018 | <i>2017</i> |
|---|-----------------------|----------------|
| | £ | £ |
| Emoluments of key management personnel (excluding pension contributions) | <u>218,482</u> | <u>213,133</u> |
| Aggregate pensions payable to key management personnel (including past service deficit contributions) | <u>96,071</u> | <u>92,900</u> |
| Employers NI paid in respect of key management personnel | <u>27,167</u> | <u>26,408</u> |
| Total expenses reimbursed insofar as not chargeable to UK income tax | <u>-</u> | <u>-</u> |

| <i>Total Emoluments</i> | 2018 | <i>2017</i> |
|-------------------------|---------------|---------------|
| | Number | <i>Number</i> |
| £80,001 - £90,000 | 1 | <i>1</i> |
| £70,001 - £80,000 | - | <i>-</i> |
| £60,001 - £70,000 | 2 | <i>2</i> |

No (2017: no) other staff had emoluments (excluding pension contributions) that exceeded £60,000.

7. Employee information

Group

| | 2018 | <i>2017</i> |
|--|--------------------|---------------|
| | Number | <i>Number</i> |
| The average full time equivalent number of persons employed by the Association was as follows: | | |
| Administration and maintenance (Association) | 27.2 | <i>27.3</i> |
| Nursery staff | <u>18.2</u> | <u>16.2</u> |
| | <u>45.4</u> | <u>43.5</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

7. Employee information (continued)

| Group | 2018 £ | 2017 £ |
|--------------------------|------------------|------------------|
| Staff costs were: | | |
| Wages and Salaries | 1,137,359 | 1,083,418 |
| Social Security Costs | 103,750 | 92,328 |
| Pension Costs | 131,104 | 127,462 |
| Pension Charge (note 24) | 16,000 | - |
| | <u>1,388,213</u> | <u>1,303,208</u> |

| Association | 2018 Number | 2017 Number |
|---|-----------------------|-----------------------|
| The average number of full time equivalent employees during the year was: | | |
| Administration and maintenance | 27.2 | 27.3 |

| Staff costs were: | 2018 £ | 2017 £ |
|--------------------------|------------------|------------------|
| Wages and Salaries | 906,453 | 881,885 |
| Social Security Costs | 91,751 | 87,149 |
| Pension Contributions | 127,202 | 127,462 |
| Pension Charge (note 24) | 16,000 | - |
| | <u>1,141,406</u> | <u>1,096,496</u> |

The SHAPS past service deficit liability is subject to remeasurement each financial year.

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Remeasurement – impact of any change in assumptions (note 23) | <u>(4,804)</u> | <u>19,986</u> |

This is included in management and administration costs.

During the year past service deficit contributions of £138,516 (2017 - £135,354) were paid. Of this payment, £128,196 (2017 - £124,986) was a payment in respect of the SHAPS past service deficit liability, and £5,320 (2017: £6,199) in respect of AVC scheme past service deficits. The remainder of £5,000 (2017: £4,169) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £7,000 (2017 - £32,000) in the year.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

8. Operating surplus

Group

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Operating surplus is stated after charging:- | | |
| Depreciation - Tangible Owned Fixed Assets | 1,089,974 | 1,058,636 |
| Depreciation – Loss on disposal of components | - | 29,269 |
| Auditor's Remuneration - Audit Services (exc VAT) | 14,765 | 12,000 |
| - Other Services (exc VAT) | 1,300 | 4,540 |
| | <u>1,106,044</u> | <u>1,104,445</u> |

Association

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Operating surplus is stated after charging:- | | |
| Depreciation - Tangible Owned Fixed Assets | 1,078,262 | 1,047,389 |
| Auditor's Remuneration - Audit Services (exc VAT) | 8,770 | 7,150 |
| - Other Services (exc VAT) | 1,300 | 2,583 |
| | <u>1,088,332</u> | <u>1,057,122</u> |

9. Gain/(loss) on sale of property, plant and equipment

Group and Association

| | 2018 | 2017 |
|---|------------------|---------------|
| | £ | £ |
| Proceeds on sale of property and other fixed assets | 79,943 | 143,905 |
| Net Book Value of assets at time of sale | (204,697) | (132,590) |
| | <u>(124,754)</u> | <u>11,315</u> |

10. Interest payable

Group

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| On bank loans and overdrafts | 265,188 | 278,194 |
| SHAPS deficit repayment plan – interest expense (Note 23) | 7,000 | 32,000 |
| Strathclyde Pension Fund – finance cost (Note 24) | 14,000 | 7,000 |
| | <u>286,188</u> | <u>317,194</u> |

Association

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| On bank loans and overdrafts | 264,416 | 277,364 |
| SHAPS deficit repayment plan – interest expense (Note 23) | 7,000 | 32,000 |
| Strathclyde Pension Fund – finance cost (Note 24) | 14,000 | 7,000 |
| | <u>285,416</u> | <u>316,364</u> |

11. Taxation

The Association was granted charitable status with effect from 18 May 2004 and no tax now arises on its charitable activities. No corporation tax is due on the Association's other activities due to the loss incurred (2017: £nil). Both subsidiaries are charities and thus no tax is due in respect of their activities (2017: £nil).

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

12. Tangible fixed assets

| a) Housing Properties Group and Association | Housing Properties Held for Letting £ | Housing Properties Under Construction £ | Completed Shared Ownership Properties £ | Total £ |
|---|--|--|--|-------------------|
| Cost | | | | |
| At 1 April 2017 | 44,698,025 | 247,208 | 207,136 | 45,152,369 |
| Additions during year | | | | |
| Property | - | 308,777 | - | 308,777 |
| Components | 753,631 | - | - | 753,631 |
| Disposals during year | | | | |
| Property | (240,604) | - | (47,534) | (288,138) |
| Components | (293,052) | - | - | (293,052) |
| At 31 March 2018 | <u>44,918,000</u> | <u>555,985</u> | <u>159,602</u> | <u>45,633,587</u> |
| Depreciation | | | | |
| At 1 April 2017 | 14,092,083 | - | 47,879 | 14,139,962 |
| Charge for year | 1,051,852 | - | 2,421 | 1,054,273 |
| On disposals during year | | | | |
| Property | (75,501) | - | (10,655) | (86,156) |
| Components | (293,052) | - | - | (293,052) |
| At 31 March 2018 | <u>14,775,382</u> | <u>-</u> | <u>39,645</u> | <u>14,815,027</u> |
| Net Book Value | | | | |
| As at 31 March 2018 | <u>30,142,618</u> | <u>555,985</u> | <u>119,957</u> | <u>30,818,560</u> |
| As at 31 March 2017 | <u>30,605,942</u> | <u>247,208</u> | <u>159,257</u> | <u>31,012,407</u> |

Additions to housing properties during the year includes no capitalised interest (2017 - £nil) and no capitalised administration costs (2017 - £nil). All housing properties are freehold.

The Association would not be able to sell its properties without the repayment of Government Capital Grants

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

| 12. Tangible fixed assets | | | | | | | | | |
|---------------------------|---------------------------|------------------------|----------------|-----------------------------|---------------|------------|--|--|--|
| (b) Other Fixed Assets | | | | | | | | | |
| Group | Freehold Property £ | I.T. Equipment £ | Furniture £ | Fixtures & Fittings £ | Vehicles £ | Total £ | | | |
| Cost | | | | | | | | | |
| At 1 April 2017 | 470,000 | 179,215 | 35,870 | 136,245 | 37,935 | 859,265 | | | |
| Additions | - | 45,017 | 14,782 | - | - | 59,799 | | | |
| Disposals | - | (24,878) | (18,651) | - | - | (43,529) | | | |
| At 31 March 2018 | 470,000 | 199,354 | 32,001 | 136,245 | 37,935 | 875,535 | | | |
| | | | | | | | | | |
| Depreciation | | | | | | | | | |
| At 1 April 2017 | 28,200 | 140,939 | 34,358 | 129,778 | 21,137 | 354,412 | | | |
| Charge for year | 9,400 | 17,772 | 1,646 | 1,649 | 5,234 | 35,701 | | | |
| Removed on disposal | - | (22,163) | (18,651) | - | - | (40,814) | | | |
| At 31 March 2018 | 37,600 | 136,548 | 17,353 | 131,427 | 26,371 | 349,299 | | | |
| | | | | | | | | | |
| Net Book Values | | | | | | | | | |
| At 31 March 2018 | 432,400 | 62,806 | 14,648 | 4,818 | 11,564 | 526,236 | | | |
| At 31 March 2017 | 441,800 | 38,276 | 1,512 | 6,467 | 16,798 | 504,853 | | | |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

| 12. Tangible fixed assets (continued) | | | | | | |
|---------------------------------------|--|------------------------|----------------|-----------------------------|---------------|------------|
| b) Other Fixed Assets | | | | | | |
| Association | | I.T. Equipment £ | Furniture £ | Fixtures & Fittings £ | Vehicles £ | Total £ |
| Cost | | | | | | |
| At 1 April 2017 | | 175,981 | 34,471 | 127,049 | 37,935 | 375,436 |
| Additions | | 43,545 | - | - | - | 43,545 |
| Disposals | | (24,878) | (18,651) | - | - | (43,529) |
| At 31 March 2018 | | 194,648 | 15,820 | 127,049 | 37,935 | 375,452 |
| Depreciation | | | | | | |
| At 1 April 2017 | | 139,591 | 33,425 | 123,912 | 21,137 | 318,065 |
| Charge for year | | 16,856 | 627 | 1,272 | 5,234 | 23,989 |
| Disposals | | (22,163) | (18,651) | - | - | (40,814) |
| At 31 March 2018 | | 134,284 | 15,401 | 125,184 | 26,371 | 301,240 |
| Net Book Value | | | | | | |
| At 31 March 2018 | | 60,364 | 419 | 1,865 | 11,564 | 74,212 |
| At 31 March 2017 | | 36,390 | 1,046 | 3,137 | 16,798 | 57,371 |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

13. Housing stock

| Group and Association | 2018 | 2017 |
|---|---------------------|---------------|
| Number of units of accommodation in management at the year end: | Number | <i>Number</i> |
| General Needs - New Build | 204 | 206 |
| - Rehabilitation | 771 | 776 |
| Shared Ownership | 3 | 4 |
| Supported | 40 | 40 |
| | <u>1,018</u> | <u>1,026</u> |

14. Investments

| Association | 2018 | 2017 |
|--------------------|----------------------|---------------|
| | £ | £ |
| At 1 April | 67,296 | 67,296 |
| Impairment | - | - |
| At 31 March | <u>67,296</u> | <u>67,296</u> |

15a. Debtors - Amounts receivable after more than one year

| Association | 2018 | 2017 |
|--------------------------------|----------------------|---------------|
| | £ | £ |
| Loan to subsidiary undertaking | 80,000 | 90,000 |
| | <u>80,000</u> | <u>90,000</u> |

15b. Debtors - Amounts receivable within one year

| Group | 2018 | 2017 |
|-------------------------------------|-----------------------|----------------|
| | £ | £ |
| Arrears of rent and service charges | 88,678 | 90,000 |
| Trade debtors | 15,980 | 4,530 |
| Less: bad debt provision | (25,882) | (26,962) |
| | <u>78,776</u> | <u>67,568</u> |
| Prepayments and accrued income | 48,540 | 18,319 |
| Other debtors | 54,180 | 53,804 |
| | <u>181,496</u> | <u>139,691</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

15b. Debtors - Amounts receivable within one year (continued)

| Association | 2018 | 2017 |
|-------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Arrears of rent and service charges | 88,678 | 90,000 |
| Less: bad debt provision | <u>(22,286)</u> | <u>(25,277)</u> |
| | 66,392 | 64,723 |
| Prepayments and accrued income | 16,334 | 18,319 |
| Other debtors | 54,180 | 53,804 |
| Loan to subsidiary undertaking | <u>10,000</u> | <u>10,000</u> |
| | <u>146,906</u> | <u>146,846</u> |

16a. Current asset investments – Group and Association

| | 2018 | 2017 |
|---------------------|-------------------------|-------------------------|
| | £ | £ |
| Restricted deposits | <u>3,800,000</u> | <u>3,600,000</u> |

16b. Cash and cash equivalents

| Group | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Balances with banks | 614,413 | 903,063 |
| Deposits with banks (up to 30 days' notice) | <u>4,443</u> | <u>4,840</u> |
| | <u>618,856</u> | <u>907,903</u> |

Association

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Balances with banks | 513,657 | 816,042 |
| Deposits with banks (up to 30 days' notice) | <u>4,443</u> | <u>4,840</u> |
| | <u>518,100</u> | <u>820,882</u> |

17. Creditors - Amounts falling due within one year

| Group | 2018 | 2017 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Bank loans (note 18) | 320,457 | 319,090 |
| Trade creditors | 150,470 | 71,025 |
| Other taxation and social security | 29,277 | 25,822 |
| Accruals and deferred income | 79,033 | 248,259 |
| Rent in advance | 179,505 | 175,241 |
| Deferred capital grant (note 20) | 502,272 | 505,128 |
| SHAPs past service deficit repayment plan (note 23) | 131,139 | 127,579 |
| Other creditors | <u>196,658</u> | <u>4,777</u> |
| | <u>1,588,811</u> | <u>1,476,921</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

17. **Creditors** - Amounts falling due within one year (continued)

| Association | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Bank loans (note 18) | 320,457 | 319,090 |
| Trade creditors | 129,462 | 66,046 |
| Other taxation and social security | 26,254 | 23,147 |
| Accruals and deferred income | 42,733 | 232,119 |
| Rent in advance | 179,505 | 175,241 |
| Deferred capital grant (note 20) | 502,272 | 505,128 |
| SHAPS past service deficit repayment plan (note 23) | 131,139 | 127,579 |
| Other creditors | 196,658 | 4,777 |
| | <u>1,528,480</u> | <u>1,453,127</u> |

Pension contributions of £nil were outstanding at the year end (2017 - £124).

18. **Creditors** - Amounts falling due after more than one year

| Group and Association | 2018 | 2017 |
|---|-------------------|-------------------|
| | £ | £ |
| Bank loans | 6,791,270 | 7,135,343 |
| Deferred capital grants (note 20) | 19,836,069 | 20,449,974 |
| SHAPS past service deficit repayment plan (note 23) | 393,861 | 523,421 |
| | <u>27,021,200</u> | <u>28,108,738</u> |

Bank loans are secured by specific charges on the Housing Association's housing properties and are repayable at rates of interest of 1.0% to 6.4% (2017 - 0.8% to 6.4%) in instalments, due as follows:-

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Within one year | 320,457 | 319,090 |
| Between one and two years | 329,760 | 334,841 |
| Between two and five years | 1,050,664 | 1,050,060 |
| In five years or more | 5,410,846 | 5,750,442 |
| | <u>7,111,727</u> | <u>7,454,433</u> |
| Less: Amount shown in current liabilities | <u>(320,457)</u> | <u>(319,090)</u> |
| | <u>6,791,270</u> | <u>7,135,343</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

19. Financial instruments

| Group | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Financial Assets | | |
| Cash and cash equivalents | 618,856 | 907,903 |
| Current asset investments | 3,800,000 | 3,600,000 |
| Financial assets measured at amortised cost | 165,162 | 121,372 |
| | <u>4,558,018</u> | <u>4,629,275</u> |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 8,041,768 | 8,429,494 |

Financial assets measured at amortised cost comprised rental arrears, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprised bank loans, trade creditors, accruals, the SHAPs past service deficit repayment plan and other creditors.

No financial assets or financial liabilities are held at fair value.

| Association | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Financial Assets | | |
| Cash and cash equivalents | 518,100 | 820,882 |
| Current asset investments | 3,800,000 | 3,600,000 |
| Financial assets measured at amortised cost | 210,572 | 218,527 |
| | <u>4,528,672</u> | <u>4,639,409</u> |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 8,005,580 | 8,408,375 |

Financial assets measured at amortised cost comprised rental arrears, loan to subsidiary undertakings and other debtors.

Financial liabilities measured at amortised cost comprised bank loans, trade creditors, accruals, the SHAPS deficit repayment plan and other creditors.

No financial assets or financial liabilities are held at fair value.

20. Deferred capital grants – Group and Association

| | 2018 £ | 2017 £ |
|--|---------------------|-------------------|
| Deferred capital grants at 1 April | 20,955,102 | 21,290,477 |
| Grants received in year | 27,887 | 239,883 |
| Released to income in the year | (503,321) | (503,855) |
| Released to income in year on disposal | (141,327) | - |
| Deferred capital grants at 31 March | - | (71,403) |
| | <u>(20,338,341)</u> | <u>20,955,102</u> |
| Liability split as: | | |
| < 1 year | 502,272 | 505,128 |
| 1 – 2 years | 502,272 | 505,128 |
| 2 – 5 years | 1,506,816 | 1,515,384 |
| > 5 years | 17,826,981 | 18,429,462 |
| | <u>20,338,341</u> | <u>20,955,102</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

| 21. Share Capital | 2018 £ | 2017 £ |
|---|------------|------------|
| Shares of £1 each fully paid and issued as at 1 April | 277 | 343 |
| Shares issued in year | 25 | 36 |
| Shares cancelled in year | (47) | (102) |
| As at 31 March 2018 | <u>255</u> | <u>277</u> |

Reserves

Revenue Reserve

The revenue reserve includes all current and prior year retained surpluses or deficits and transfers to/from the restricted reserve.

Restricted Reserve

Funds received to support the Community Resilience Fund (Home Start).

| 22. Net Cash Flow from Operating Activities - Group | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Surplus for the year | 725,964 | 843,987 |
| <u>Adjustments for non cash items:</u> | | |
| Carrying amount of tangible fixed asset disposals | 204,697 | 132,590 |
| Depreciation of tangible fixed assets (including loss on disposal of components) | 1,089,974 | 1,087,905 |
| SHAPS past service deficit liability | 2,196 | 51,986 |
| Strathclyde Pension Scheme pension liability | 30,000 | 7,000 |
| (Increase)/(decrease) in debtors | (41,805) | 98,202 |
| Increase in current asset investments | (200,000) | (800,000) |
| Increase/(decrease) in creditors | 109,819 | 190,446 |
| Shares cancelled in the year | (47) | (102) |
| <u>Adjustments for investing and financing activities:</u> | | |
| Proceeds from sale of tangible fixed assets | (79,943) | (143,905) |
| Interest payable | 265,188 | 278,194 |
| Interest received | (31,417) | (39,352) |
| Release of deferred Government capital grant | (644,648) | (575,258) |
| SHAPS past service deficit payment | (128,196) | (124,986) |
| Net cash generated from operating activities | <u>1,301,780</u> | <u>1,006,707</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

23. Scottish Housing Association Pension Scheme

General

Cassiltoun Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme") which is funded.

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate contracted in.
- Defined contributions (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Cassiltoun Housing Association Limited has elected to continue to offer the final salary with a 1/60th accrual rate benefit structure for existing members as at 1 April 2017 and also offer a Defined Contribution scheme to new employees. During the accounting period the Housing Association effectively paid contributions at the rate of 12.3% (excluding the past service deficit) of pensionable salaries in respect of the defined benefit structure. Member contributions were 12.3%. There was an additional annual employer past service deficit contribution of £128,196 made in the year ended 31 March 2018 (2017 - £124,986). The past service deficit contribution for 2018/19 is £132,042. The contributions under the Defined Contribution Scheme were 6% for the employer and 4% for the employee.

The Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

General

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

As at the balance sheet date there were 7 active members of the Defined Benefit Scheme and 14 active members of the Defined Contributions Scheme employed by the Association.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

23. Scottish Housing Association Pension Scheme (continued)

General (continued)

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 75.6%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

| 30 September | Assets | Liabilities | Deficit | Funding |
|--------------|--------|-------------|---------|---------|
| 2015 | £616m | £814m | £198m | 76% |
| 2016 | £810m | £1,020m | £210m | 79% |
| 2017 | £852m | £981m | £129m | 87% |

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

Past service deficit discounted repayment liability

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Provision at start of period | 651,000 | 724,000 |
| Unwinding of the discount factor (interest expense) | 7,000 | 32,000 |
| Deficit contribution paid | (128,196) | (124,986) |
| Remeasurements – impact of any changes in assumptions | (4,804) | 19,986 |
| Provision at end of period | <u>525,000</u> | <u>651,000</u> |
| | 2018 £ | 2017 £ |
| Liability split as: | | |
| < 1 year | 131,139 | 127,579 |
| 1-2 years | 133,064 | 130,028 |
| 2-5 years | 260,797 | 393,393 |
| > 5 years | - | - |
| | <u>525,000</u> | <u>651,000</u> |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

23. Scottish Housing Association Pension Scheme (continued)

| Statement of Comprehensive Income Impact | 2018 £ | 2017 £ |
|--|--------------|---------------|
| Interest expense | 7,000 | 32,000 |
| Remeasurements – impact of any change in assumptions | (4,804) | 19,986 |
| | <u>2,196</u> | <u>51,986</u> |
| | 2018 | 2017 |
| Assumptions | | |
| Rate of discount | 1.51% | 1.06% |

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate band yield curve to discount the same recovery plan contributions.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017 is £3,869,422 (2017: £4,983,200).

24. Strathclyde Pension Scheme

Cassiltoun Housing Association Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

From 1 April 2015, the Scheme changed from a final salary 1/60th accrual scheme to a CARE 1/45th accrual scheme.

An updated valuation of the Strathclyde Pension Fund was performed as at 31 March 2018.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

24. Strathclyde Pension Scheme (continued)

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their calculations are as follows:

| Assumptions as at | 31 March 2018 | <i>31 March 2017</i> |
|--------------------------|--------------------------|--------------------------|
| Pension increases | 2.3% | 2.4% |
| Salary increases | 3.5% | 4.4% |
| Discount rate | 2.7% | 2.7% |

The average future life expectancies at age 65 are summarised below:

| Mortality | Males | Females |
|--------------------|-------------------|------------|
| Current Pensioners | 21.4 years | 23.7 years |
| Future Pensioners | 23.4 years | 25.8 years |

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Sensitivity Analysis | Approximate % increase to Employer Liability | Approximate Monetary amount (£000) |
|--|---|---|
| 0.5% decrease in Real Discount Rate | 13% | 215 |
| 0.5% increase in the Salary Increase Rate | 4% | 68 |
| 0.5% increase in the Pension Increase Rate | 9% | 140 |

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

| Net Pension Liability as at | 31 March 2018 £000 | <i>31 March 2017 £000</i> |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Estimated Employer Assets (A) | 1,441 | 1,355 |
| Present Value of Scheme Liabilities | 1,619 | 1,874 |
| Present Value of Unfunded Liabilities | - | - |
| Total Value of Liabilities (B) | 1,619 | 1,874 |
| Net Pension Liability (A) – (B) | (178) | (519) |

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

24. Strathclyde Pension Scheme (continued)

Sensitivity Analysis (continued)

Analysis of the amount charged to operating profit:

| | Year to 31 March 2018 £'000 | <i>Year to 31 March 2017 £'000</i> |
|-----------------------------------|--|--|
| Service cost | 47 | 29 |
| Contributions | (31) | (29) |
| Past service cost | - | - |
| Curtailement and settlements | - | - |
| Decrease in irrecoverable surplus | - | - |
| | <u>16</u> | <u>-</u> |
| Total operating charge | <u>16</u> | <u>-</u> |
| Net Interest cost | <u>14</u> | <u>7</u> |

| | Year to 31 March 2018 £ 000 | <i>Year to 31 March 2017 £ 000</i> |
|--|--|--|
| Actuarial gain / (loss) recognised as other comprehensive income | <u>371</u> | <u>(313)</u> |

Analysis of the amount recognised in the Statement of Other Comprehensive Income:

Movement in pension deficit during the year

| | Year to 31 March 2018 £ 000 | <i>Year to 31 March 2017 £ 000</i> |
|--|--|--|
| Deficit in scheme at beginning of year | (519) | (199) |
| Current service cost | (47) | (29) |
| Employer contributions | 31 | 29 |
| Other income | - | - |
| Other outgoings (e.g. expenses, etc.) | - | - |
| Past service costs | - | - |
| Impact of settlements and curtailments | - | - |
| Net interest cost | (14) | (7) |
| Actuarial gain / (loss) | 371 | (313) |
| Deficit at end of year | <u>(178)</u> | <u>(519)</u> |

Employer contributions for the year ended 31 March 2019 are expected to be £32,000.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

25. Related party transactions

Board members

The Association has members of the Board of Management who are also tenants. The total rent charged in the year relating to those Board of Management members was £40,493 (2017 - £35,571). The total rent arrears relating to tenant Board of Management members included within debtors at the year-end was £nil (2017 - £nil). The total prepaid rent relating to tenant Board of Management members included within creditors at the year-end was £1,997 (2017 - £2,324).

Cassiltoun Trust

The Housing Association has two subsidiaries: Cassiltoun Stables Nursery Limited and Cassiltoun Trust.

The Housing Association is the sole member of Cassiltoun Trust, a charitable company limited by guarantee. Three members of the Housing Association are Directors of the Trust.

During the year management fees totalling £9,390 (2017 - £8,856) were charged from the Housing Association.

Advanced rental payments of £353,000 were made to Cassiltoun Trust by the Association in June 2007 in respect of a 25 year lease. In prior years this was treated as rents paid in advance and was accountable for under the effective interest rate method. The release in the year was £nil (2017 - £14,120). In March 2017 the Association released rent in advance of £132,844 to the Statement of Comprehensive Income due to a new agreement being signed prior to 31 March 2017.

Under the new lease, the Association was charged rent of £49,816 (2017: £nil) by Cassiltoun Trust.

Additional office space was rented during the year from Cassiltoun Trust totalling £nil (2017 - £27,048).

No amounts are due to/from Cassiltoun Trust (2017: £nil).

In the year ended 31 March 2018 Cassiltoun Trust made a surplus of £6,717 (2017 - £120,041) and had net assets of £482,192 (2017 - £475,475).

Cassiltoun Stables Nursery Limited

Cassiltoun Stables Nursery Limited is a company limited by guarantee and was formed in July 2012. Its sole member is Cassiltoun Housing Association Limited. Three members of the Housing Association are Directors of the Nursery.

In October 2012 the Housing Association made available a loan of £100,000 to Cassiltoun Stables Nursery Limited at normal commercial rates. Interest of £4,003 (2017 - £4,353) is charged on the loan being at the rate of Bank of England base + 4%. The loan is repayable over 10 years once the Nursery traded profitably without grant funding from the Association, so there is no set payment amounts or dates. A repayment of £10,000 (2017: £nil) was made in the year. A repayment of £10,000 is expected in the next financial year and thus the loan is treated as a debtor falling due after more than one year. At the year-end £10,000 (2017 - £10,000) was due less than 1 year and £80,000 (2017 - £90,000) was due greater than 1 year to the Housing Association in respect of this loan.

No amounts are due to/from Cassiltoun Stables Nursery Limited outwith the loan noted above (2017 - £nil).

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

25. Related party transactions

Cassiltoun Stables Nursery Limited

Management fees totalling £13,800 (2017: £6,708) were charged by the Housing Association to the Stables Nursery.

In the year ended 31 March 2018 Cassiltoun Stables Nursery Limited made a surplus of £26,768 (2017 - £19,241 surplus) and had net liabilities of £35,153 (2017 - £61,921).

26. Contingent liabilities

Capital Government Grants allocated to components are amortised over the useful life of the structure and recognised in the Statement of Comprehensive Income. In the event the Association sells a housing unit it may be liable to pay back to the Scottish Government or Glasgow City Council any Capital Government Grant receivable in the construction of the housing units.

There is also a contingent liability in relation to the Scottish Housing Association Pension Scheme and this has been fully detailed in Note 23.

27. Revenue commitments

At 31 March future minimum lease payments under non-cancellable operating leases were as follows:

| Group | Office space 2018 £ | Office equipment 2018 £ | Office space 2017 £ | Office equipment 2017 £ |
|---|--|--|--|--|
| Operating leases payable: | | | | |
| Not later than one year | - | 4,360 | - | 4,360 |
| Later than one year and not later than five years | - | 1,090 | - | 727 |
| | <u>-</u> | <u>5,450</u> | <u>-</u> | <u>5,087</u> |
| Association | Office space 2018 £ | Office equipment 2018 £ | Office space 2017 £ | Office equipment 2017 £ |
| Operating leases payable: | | | | |
| Not later than one year | 51,809 | 1,090 | 19,816 | 4,360 |
| Later than one year and not later than five years | 124,800 | - | - | 727 |
| Greater than five years | 312,000 | - | - | - |
| | <u>488,609</u> | <u>1,090</u> | <u>19,816</u> | <u>5,087</u> |

The office space revenue commitment is in respect of four rooms leased from Cassiltoun Trust.

CASSILTOUN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

| 28. Capital Commitments – Group and Association | 2018 | 2017 |
|--|-------------------------|----------------|
| | £ | £ |
| Contracted for but not provided in these accounts | - | 871,800 |
| This is to be funded by: | | |
| HAG | - | - |
| Private Finance | - | - |
| Reserves | - | 871,800 |
| | <u>-</u> | <u>871,800</u> |
| Approved by the Board of Management but not contracted for | <u>6,800,000</u> | <u>-</u> |