



Annual Report
Year ending 31 March 2017

Scottish Charity number SC006035

Registered Society number 1767R(S)

CONTENTS

| | |
|----|--|
| 3 | Board of Management, Executives and Advisers |
| 4 | Operating Review |
| 13 | Report of the Independent Auditor to Castle Rock Edinvar Housing Association |
| 14 | Statement of Comprehensive Income |
| 15 | Statement of Financial Position |
| 16 | Statement of Change in Equity and Reserves |
| 17 | Statement of Cash Flows |
| 18 | Notes to the Financial Statements |

| | | |
|----------------------------|--|--|
| Board of Management | Dr. Cathy Garner Anna Evans Alison Freshwater Elaine Haddow Julie Jackson Richard Jennings John McGuigan Stephen Oswald Liz Ritchie David Robertson Deirdre Robertson Pamela Scott Simran Soin Alister Steele Graham Waddell William Wood | Chair (appointed 9 May 2017) (appointed 1 January 2017) (appointed 9 May 2017) (resigned 10 May 2016) (appointed 9 May 2017) (appointed 9 May 2017) (resigned 1 January 2017) (resigned 14 March 2017) |
| Executives | Richard Jennings Sandy Welsh Heather Macnaughton Chris Thomson Chris Martin | Managing Director Head of Housing Services Head of Community Investment Head of Maintenance & Property Management Company Secretary |
| Registered Office | 1 Hay Avenue Craigmillar Edinburgh EH16 4RW | Solicitors T C Young Melrose House 69a George Street Edinburgh EH2 2JG |
| Registered Auditors | KPMG LLP 15 Canada Square London E14 5GL | Bankers Barclays Bank 38 Fishergate Preston PR1 2AD |

Registration of the Association

Castle Rock Edinvar Housing Association is a Registered Social Landlord (HEP106) and is registered under the Cooperative and Community Benefit Societies Act 2014 (Registered Number 1767R(S)). It also has charitable status (Scottish Charity No. SC006035).

Castle Rock Edinvar is a member of the Places for People Group. The Places for People Group is registered under the Housing and Regeneration Act 2008 (number L4236) and under the Companies Act (number 3777037).

The Board is pleased to present its report and Financial Statements for the year ended 31 March 2017.

Principal activities of the Places for People Group

Places for People Group ("the Group") is an award-winning property management, development, regeneration and leisure company, with over 50 years' experience creating thriving, sustainable places. The Group is made up of a diverse mix of companies which provide housing for affordable rent, market rent and sale, commercial property, financial services, care and support services, leisure and regeneration products. With a long track record of successful development and management, a reputation for delivering large-scale regeneration and the ability to work across the UK, this provides an unrivalled ability to create aspirational homes and inspirational places. By combining the services provided by the Group with the skills of its staff and its financial strength, the Group is able to produce solutions which in other settings would require a whole range of private/public partnerships and different funding arrangements.

Vision, mission and values

Places for People Group's vision is "Working to provide aspirational homes and inspirational places". This vision and mission encapsulates the Group's long-term commitments to its neighbourhoods and their future sustainability.

Principal activities of Castle Rock Edinvar

Castle Rock Edinvar is a Scottish Registered Social Landlord (RSL) and Scottish Charity with its registered office in Edinburgh. It is a leading Scottish RSL both in scale and significance and considered by the Scottish Housing Regulator as being of systemic importance.

The aim of Castle Rock Edinvar and its two subsidiaries, Places for People Scotland and Places for People Scotland Care & Support, is to be a successful Scottish place management business harnessing the combined strengths of Places for People Group and the local Scottish companies. Our focus is in the Edinburgh and Lothians market area with expertise in the provision and management of affordable housing, delivery of publically commissioned care and support services and securing investment in our communities.

Together the Castle Rock Edinvar Group at 31 March 2017 owned and managed 10,713 (2016: 10,281) rented and shared ownership homes across Scotland and had a combined turnover of £62.6 million (2016: £51.8 million). Castle Rock Edinvar owned and managed 6,690 properties at 31 March 2017 (2016: 6,558). The turnover of Castle Rock Edinvar from letting activities was £30.8 million during the year. Castle Rock Edinvar is also a significant employer with 178 FTE staff (2016: 171).

Castle Rock Edinvar's current strategic objectives which together contribute to delivering our purpose are:

- **Better Places** - Creating places where people choose to live.
- **More Homes** - Increasing affordable housing opportunities.
- **Quality Services** - Delivering highly regarded and effective customer focussed services in our neighbourhoods.

To deliver these objectives we are committed to:

- Financial strength and resilience, generating profits for re-investment and ensuring long term sustainability.
- Investment and growth, adding social and financial value.
- Innovation and continuous improvement, delivering value for money for customers and stakeholders.
- Our people, creating a great and safe place to work.
- Collaborative working and sector leadership, maximising synergies within Places for People Group and developing external partnerships.

Principal markets and associated risks

Castle Rock Edinvar is the fifth largest housing association in Scotland managing around 6,700 properties across eight local authority areas. Castle Rock Edinvar's principal market is in social rented housing which accounts for the majority of its total turnover. Our contribution to new housing supply is one of the most significant in the Scottish RSL sector. As a regulated social landlord we house people based on need, rents are set to be 'affordable' to those on low incomes and new homes continue to be subsidised by capital grant. Our customers are getting older and the majority are not in employment and dependent on state benefits. Castle Rock Edinvar has a strong balance sheet and operating profits. The strength and reputation of Castle Rock Edinvar is used to lever growth in its subsidiaries. To increase tenure diversity and offer choice we also offer shared ownership. Other tenure types are provided through our subsidiary company Places for People Scotland.

A focus on sustaining tenancies makes good business sense and helps ensure settled communities and tenants. Castle Rock Edinvar provides additional services over and above core housing management functions, such as neighbourhood planning, support and advice services and wider community investment, to achieve better outcomes for our customers and places.

The Board has identified the following current and future potential strategic risks:

- An increase in interest rates and inflation would impact on rent affordability and the viability of future development programme.
- Political and economic uncertainty impacts on growth and risk appetite.
- Increased Group overhead allocation impacts on competitiveness and viability.
- Demand for repairs and the volume and condition of void properties impact on financial performance.
- Changes to governance and leadership disrupt business continuity.
- Income collection costs, rent arrears and property turnover increase, associated with the implementation of Universal Credit.
- Access to affordable capital finance restricted by the Group.
- Reputational risk exposure as a result of wider Group activities in Scotland.
- Exposure to fluctuating Scottish Housing Association Pension Scheme liabilities.
- Major defect in our new build programme impacting on both reputation and exposure to additional costs.

The Board and Senior Management have developed, and regularly review, a Risk Map in accordance with Group procedures to evaluate each of these risks and to outline mitigation strategies.

Delivering successful outcomes in 2016/17

As one of Scotland's leading housing associations we recognise the importance of innovation to grow and improve both the organisation and support the wider housing and place-making sector. In 2016/17, in collaboration with others, Castle Rock Edinvar continued to achieve further ground breaking initiatives:

- The continued expansion of the "1,000 Homes for Edinburgh" initiative which has seen the leasing of a further 74 properties bringing the total number to 249 let at intermediate rent through our subsidiary company Places for People Scotland, generating additional income to invest in future development. In addition there have been 6 property sales which have contributed to the surpluses.
- We developed and took handover of 146 new affordable properties at South Gyle, Dunbar, Larbert, Westerhailes and Twechar. We also have an additional 81 Social Rent and 77 Leased units scheduled for handover in 2017/18 across 14 separate developments.
- With Scottish Government support awarded through the Town Centre Empty Homes Fund 6 new units for social rent were completed through the renovation of Darag, Mayfield.
- £342,500 Scottish Government HEEPS Capital Acceleration Funding for external wall insulation was awarded which provided both improved energy efficiency and visual impact to 58 mixed tenure homes in Roslin.

Delivering successful outcomes in 2016/17 (cont'd)

- The Armadale Shed which had been renovated and established as a successful community led facility was handed over to the Armadale Shed SCIO for future management following an investment for capacity building through the Scottish Government People and Communities Fund.
- A LEAN review was undertaken in our Home Repairs team with recommendations for improvements implemented to improve customer satisfaction.
- Reduced costs relating to staff sickness were achieved as a result of an increased focus on absence management.
- A review of our approach to place management led to a restructuring of our teams to a more integrated model.
- The implementation of our Think Customer strategy which included the achievement of ServiceMark accreditation improved customer satisfaction with additional actions agreed for 2017/18.
- As part of our digital strategy 13 of our developments for older people now have access to affordable wi-fi to the home with a programme of support available to increase digital participation. New online services for the benefit of all tenants were introduced.

Castle Rock Edinvar continues to develop and implement our strategy to be positioned as a leading housing association in Scotland.

Income and expenditure for the year

Castle Rock Edinvar's turnover for the year ended 31 March 2017 was £33.4m (2016: £32.2m). An adjustment to the valuation of the SHAPS Pension Liability of £4.8m has been recognised as a reduction in Housing Management Expenditure in the 2017/18 operating surplus (Note 3).

The total revenue and capitalised expenditure, including property services overheads, on repairs and improvements during the year amounted to £13.4m (2016: £11.7m). This represents expenditure on maintaining and improving our assets as part of the planned asset management programme.

Castle Rock Edinvar continues to benefit from low interest rates. The interest payable for the year ended 31 March 2017 decreased from £1.0m in the previous year to £0.9m in the current year. This represented an average interest rate of 1.7% (2016:1.9%) per annum.

During the year to 31 March 2017 Castle Rock Edinvar sold 6 properties amounting to £642k (2016: 0 properties) and 5 shared ownership properties amounting to £390k (2016: 2 properties).

The surplus for the year was £18.5m (2016: £13.1m). The reserves carried forward at 31 March 2017 were £98.3m (2016: £79.8m) which are predominantly invested in housing properties. More details of other income and expenditure are included in notes 2 to 10 to these accounts.

Balance sheet at 31 March 2017

The depreciated cost of Castle Rock Edinvar's housing assets at 31 March 2017 was £372.7m (2016: £353.6m). These have been funded from Housing Association Grant (HAG) and other capital grants of £217.1m (58%), loans of £55.2m (15%) and the Association's own resources of £100.4m (27%).

Donations

No gift aid was received from Places for People Scotland Limited during the year ended 31 March 2017 (2016: £1.0m). During the year Castle Rock Edinvar made £7,340 (2016: £4,100) donations to community groups within neighbourhoods where the organisation is a key stakeholder.

Operational performance for the year

Operational performance is monitored robustly by senior staff and the Board throughout the year against a number of key performance indicators which measure business efficiency and customer satisfaction.

The results of the 2017 customer satisfaction survey show a positive result for the year driven by our Think Customer initiative; overall levels of satisfaction are high and show a further increase from 2015. 97% of tenants were satisfied with the service overall compared to 95% in 2015 and 98% were satisfied with the quality of their home which remains unchanged since 2015.

Despite a challenging operating environment, results at the financial year-end show an improving performance in most areas. Tenancy turnover has reduced during the year from 6.7% in March 2016 to 6.5% in March 2017. Over the year 656 (2016: 555) lets have taken place with the average time to prepare properties to re-let decreasing from 27.3 days at the end of March 2016 to 22.1 days by March 2017. Operational void loss has also decreased from 0.55% to 0.40%.

The volume of repairs showed a slight decrease over the prior year to 18,981. The emergency repairs average timescales remain unchanged at 2.7 hours (2016: 2.7 hours) however non-emergency has increased to 8.2 days (2016: 6.9 days). Gas servicing achieved the 100% target to have current landlord gas safety certificates at 31 March 2017.

Increasing rent arrears were forecast for 2016/17 but these were well controlled. There has been an increase from 3.89% to 4.02% which is slightly above the target of 4.00%. Discretionary housing payments as well as intensive management of Universal Credit cases have helped to manage the impact in this area. The number of evictions has remained unchanged in the current year at 15 (2016: 15).

The formal deadline for completion of the Scottish Housing Quality Standard (SHQS) requirements has passed but we continue to monitor our properties to ensure that they meet this standard. As at 31 March 2017, of our 6,111 (2016: 5,967) self-contained properties, we have achieved the Scottish Housing Quality Standard (SHQS) with 192 exemptions (2016: 147) and 79 abeyances (2016: 174) and 29 failures (2016: 9). We have begun to implement the new Energy Efficiency in Scottish Social Housing (ESSH) requirements during the year with 82% of our stock meeting this standard.

Future developments and initiatives

Castle Rock Edinvar completed 146 affordable rented properties during the year to 31 March 2017 (2016: 115). Castle Rock Edinvar will complete a further 81 affordable rented properties by the end of March 2018. Capital expenditure contracted but not provided in the accounts amounted to £6.4m (2015: £3.7m) (Note 22). Development performance is monitored using a number of indicators covering profitability of schemes, cost control, development pipeline and the management of working capital. Castle Rock Edinvar has ownership of or is in control of land to ensure continued growth through the development of new stock, subject to the availability of grant funding and new borrowings which will form part of the Places for People Group's overall capital investment strategy.

In 2016/17 Castle Rock Edinvar and Places for People Scotland jointly contributed to developing "1,000 homes for Edinburgh" supported by a HAG recycling initiative. In 2016/17 1,061 units are secured with a further 591 units potentially in the development pipeline.

Treasury management

Castle Rock Edinvar's borrowings increased from £53.5m at March 2016 to £55.4m at March 2017. The ratio of net loans to housing assets remains unchanged at 15% (2016: 15%) which is within the strategy target maximum of 50%.

The Board regularly reviews treasury management. The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum of one year's cash flow. Cash projections cover a 3 year period to continuously monitor future borrowing requirements.

Treasury management (Cont'd)

During the year the percentage of loans arranged at fixed interest rates has reduced to 17.9% (2016: 19.2%). The ratio of fixed and variable rates are reviewed regularly to ensure that Castle Rock Edinvar borrows at the best rates.

Other funding

With the support this year from the Big Lottery Fund we have been able to conclude the Money Matters project providing money and debt advice to both our customers and those of 4 other housing associations in Edinburgh. We have continued to receive Big Lottery Funding for Outside Matters project in our Fortune Place development to support residents through the provision of a community builder and enhanced activities and outdoor space (Note 25).

Funding has been received from the Scottish Government People & Communities Fund to provide a community capacity builder to facilitate the setup of the Armadale Shed. The facility was let to Armadale Shed SCIO at the year end.

Employment

During the year ended 31 March 2017 the average number of people employed, expressed as full time equivalents, was 178 (2016: 171). At 31 March 2017 the actual number of people employed was 198 (2016: 195). Employee information is stated in Note 6 to these financial statements.

During 2016/17 Alister Steele retired from his role as Managing Director and was succeeded by Richard Jennings on 1st January 2017.

There have been 12 promotions during the year. Through the staff recognition scheme, 'Star Awards', 27 individual staff and 38 staff as part of a team were nominated for awards in the year.

The Board considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. In addition, the Group has a comprehensive learning and development policy and holds the Investors in People Gold accreditation. For the twelve months to 31 March 2017, absenteeism has improved markedly and is down to 2.88% (2016: 5.06%). Staff turnover has remained relatively stable at 13.1% (2016: 13.8%). The Staff Forum continues to play an active role and has organised a number of social and fundraising events for charity during the year.

Equality and diversity

The Board is committed to achieving equality through diversity and its policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Board recognises that it has the power to reduce the disadvantages that people experience by making services more responsive to all communities and individual needs. The Board also recognises its responsibility to meet these diverse needs by having a diverse workforce, which generally reflects local populations and has the skills and understanding to achieve the service objectives.

Pension funds

The Association contributed to one Defined Benefit and two Defined Contribution schemes during the year. The Scottish Housing Associations' Pension Scheme - defined benefit section ("the Scheme") is closed to new accrual. All new employees joining the Association now have the option of joining the Scottish Housing Associations' Pension Scheme - defined contribution section ("the DC Scheme"), to which the Association contributes. Auto enrolment staff will also join this DC Scheme. The Places for People Group Stakeholder defined contribution scheme ("the Group Scheme") from 1 April 2014 is only available to new entrants with sessional contracts. The Board will continue to review the Pension Strategy in 2017/18. More details of the Association's Pension Obligations are included in Note 23.

Health and safety

The Board takes very seriously its responsibilities on all matters relating to health and safety. There is a standing working group chaired by the Managing Director that meets to ensure all aspects of Health and Safety are covered. Health and Safety performance is audited by Group Health and Safety staff as well as a local health and safety technical working group to improve organisational culture and attitudes to working practices. A behavioural programme has been introduced for all maintenance staff to develop an improved Health and Safety culture. During the year the Group has continued to update its Health and Safety policies and provide staff training and education on health and safety matters. During 2016/17 there were 4 (2016: 3) reportable RIDDOR accidents.

The Environment and Corporate Social Responsibility

The Board recognises the need to develop its business in a sustainable manner. The business is developed to meet the needs of the present without compromising the ability of future generations to meet their own needs. We recognise that there are physical limits to the resources of the Earth (both in terms of generating materials and absorbing waste), and that any business activity that exceeds these limits is, by definition, unsustainable in the long term. In addition to making effective use of natural resources and enhancing the environment, we also believe that to achieve short and long term sustainability we need to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which we work. Places for People has been accredited with ISO 14001.

Going Concern

After making appropriate enquiries, the Board confirms that it has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly it continues to adopt the going concern basis in preparing the Association's financial statements.

The Board

Responsibility for Castle Rock Edinvar's activities rest with the Board as detailed in the Governance Handbook. The Places for People Group, including Castle Rock Edinvar, has adopted a code of conduct based on the UK Corporate Governance Code.

Details of the Board members can be found listed on page 3 of these financial statements. The normal term of office is an initial six years. Extensions may be granted to Board members terms if approved by the Places for People Group Nominations and Governance Committee. The Board has a range of skills and experience which meet the UK Corporate Governance code requirements. The required disclosures are included in the consolidated financial statements which are available from the registered office address. In addition all directors have access to the Company Secretary for advice.

The Board has adopted guidelines for the appointment of directors which are in place and which have been observed throughout the year. All potential conflicts of interest including those of executive directors are recorded and minuted at each meeting and held in a register.

The Board is well equipped to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct that are vital to the success of the Association. Induction is provided for new members joining the Board and regular updates are provided to refresh their skills and knowledge. Board members have a duty to exercise reasonable care, skill and diligence; a duty to promote the success of the Association; a duty to act within their powers; a duty to exercise independent judgment; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

The Managing Director provided a Governance Effectiveness review and assessment of adherence to the Board's adopted code of conduct for 2016/17 for the Places for People Group Nominations and Governance Committee. The Chair undertakes assessments of individual board members annually.

The Board (Cont'd)

The Nominations & Governance Committee assesses the skills and experience needed on the Castle Rock Edinvar Board and if so requested by them, on the Boards of its subsidiaries. It takes an overview on Board member selection and succession planning and makes recommendations to the Castle Rock Edinvar Board in relation to suitable candidates for appointment. The Committee reviews the governance structure and advises the Castle Rock Edinvar Board on key governance issues.

The Board has agreed that there should be a reporting framework which would include six formal Board meetings and at least one development meeting each year. The Board Members' attendance at Board and Committee meetings, in relation to the number of meetings held, during the year ended 31 March 2017 is set out below.

| Board Members | | Board Meetings | Audit & Risk Committee | Nominations & Governance | AGM |
|--------------------------|-----------------------------|----------------|------------------------|--------------------------|-----|
| Cathy Garner | Chair - CRE | 6/7 | 5/5 | 2/2 | 1/1 |
| Anna Evans | Chair - PfPS Ltd | 6/7 | | 1/1 | 1/1 |
| Elaine Haddow | Chair - PfPS C&S | 6/7 | | 2/2 | 1/1 |
| Julie Jackson | | 7/7 | | | 1/1 |
| Richard Jennings | (appointed 01.01.2017) | 2/2 | | | 1/1 |
| Stephen Oswald | | 6/7 | | | 1/1 |
| Neil Pirie (PfPS Ltd) | (resigned 6.12.2016) | | 1/3 | | |
| Liz Ritchie | (resigned 10.05.2016) | 0/1 | | | |
| David Robertson | Chair ARC | 6/7 | 5/5 | | 0/1 |
| Simran Soin | | 2/7 | | | 0/1 |
| Alister Steele | (resigned 01.01.2017) | 5/5 | | | 1/1 |
| Ian Stevenson (PfPS C&S) | Co-opted ARC | | 3/5 | | |
| Graham Waddell | Senior Independent Director | 6/7 | 3/5 | | 1/1 |
| William Wood | (resigned 14.03.2017) | 7/7 | | 2/2 | 1/1 |

Internal Control and Risk Management

The Board has delegated responsibility for reviewing internal control and assurance systems to the Audit & Risk Committee. The Committee conducts a review of the effectiveness of the Association's risk management and internal control systems through regular reports and by an annual review prior to consideration of the financial statements. The Committee reports to the Board on its level of satisfaction with the system of controls annually. The Board secures assurance as to the effectiveness of the system of internal control and risk management by those means.

The Audit & Risk Committee has reviewed the effectiveness of the system of internal control for the year ended 31 March 2017 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

The Board and Senior Management have developed a Risk Map in accordance with Group procedures to evaluate each of these risks and to outline mitigation strategies.

The view of the External Auditor, KPMG LLP

This position in relation to controls which are within the scope of the auditor's terms of engagement is confirmed at the conclusion of each audit. Any issues arising from interim audit work are also reported to the Audit & Risk Committee.

Group Accounts

Castle Rock Edinvar Housing Association is exempt from the requirement to prepare and deliver group accounts as it is itself a wholly owned subsidiary of Places for People Group Limited. As such these financial statements present information about Castle Rock Edinvar Housing Association as an individual undertaking and not about it as a group.

Statement of Board to the Auditors

At the time of approval of this report:

- So far as the Board is aware, there is no relevant audit information of which the Associations' Auditor is unaware, and
- The Board has taken all steps that they ought to have taken as a Board in order to make themselves aware of any relevant audit information and to establish that the Association's Auditor is aware of that information.

Statement of Internal Financial Control

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

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

It is the Board's responsibility to establish and maintain the 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 systems include ensuring that:

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

The Board has reviewed the effectiveness of the internal financial controls in existence in the Association for the year ended 31 March 2017. 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.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

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

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



By order of the Board
Chris Martin
Company Secretary

Independent auditor's report to Castle Rock Edinvar Housing Association

We have audited the financial statements of Castle Rock Edinvar Housing Association ("the Association") for the year ended 31 March 2017 set out on pages 14 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 68(1) of the Housing (Scotland) Act 2014. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

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 requires us to report to you if, in our opinion:

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

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

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



Andrew Sayers (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, 15 Canada Square, Canary Wharf, London, E14 5GL

29 August 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|--|-------|-----------------|---------------|
| Turnover | 2 | 33,447 | 32,168 |
| Operating costs | 2 | (16,346) | (19,934) |
| Operating surplus | 2 | 17,101 | 12,234 |
| Surplus on sale of fixed assets | 5 | 2,161 | 966 |
| Gain on revaluation of investment properties | 14 | 260 | 21 |
| Interest receivable and similar income | 7 | 106 | 106 |
| Interest payable and similar charges | 8 | (1,122) | (1,198) |
| Gift aid received | 9 | - | 1,000 |
| Net surplus for the year | | 18,506 | 13,129 |

All activities are continuing.


The notes on pages 18 to 34 form an integral part of these financial statements.

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|-----------------|-----------------|
| Fixed assets | | | |
| Housing properties - depreciated cost | 12 | <u>372,740</u> | <u>353,633</u> |
| Other fixed assets | | | |
| | 13 | <u>2,722</u> | <u>2,610</u> |
| Fixed asset investments | | | |
| Fixed asset investment | 14 | <u>2,295</u> | 2,035 |
| Homebuy fixed asset investment | 15 | <u>166</u> | 159 |
| Other fixed asset investment | 16 | <u>1,010</u> | 1,010 |
| | | <u>3,471</u> | <u>3,204</u> |
| Total fixed assets | | <u>378,933</u> | <u>359,447</u> |
| Current assets | | | |
| Stock | 17 | <u>3,648</u> | 4,053 |
| Debtors: amounts due within one year | 18 | <u>4,606</u> | 3,647 |
| Cash at bank and in hand | | <u>95</u> | 310 |
| | | <u>8,349</u> | <u>8,010</u> |
| Creditors - amounts due within one year | 19 | <u>(15,915)</u> | <u>(14,137)</u> |
| Net current liabilities | | <u>(7,566)</u> | <u>(6,127)</u> |
| Total assets less current liabilities | | <u>371,367</u> | <u>353,320</u> |
| Creditors - amounts falling due after more than one year | 20 | <u>273,044</u> | <u>273,503</u> |
| Capital and Reserves | | | |
| Non-equity share capital | 21 | - | - |
| Revenue reserve | | <u>98,323</u> | 79,817 |
| Total capital and reserves | | <u>98,323</u> | <u>79,817</u> |
| Total capital and reserves less long term liabilities | | <u>371,367</u> | <u>353,320</u> |

The notes on page 18 to 33 form an integral part of these financial statements.

The financial statements on pages 14 to 34 were approved by the Board on the 22 August 2017 and were signed on its behalf by:


Dr. Cathy Garner
Chair


David Robertson
Board Member


Chris Martin
Secretary

| | Revenue Reserve £'000 | Equity and Reserves £'000 |
|--|--------------------------------------|--|
| Balance at 1 April 2016 | 79,817 | 79,817 |
| Total Comprehensive income for the year | | |
| Net surplus for the year | 18,506 | 18,506 |
| Balance at 31 March 2017 | 98,323 | 98,323 |

The notes on page 18 to 33 form an integral part of these financial statements.

| | Note | 2017 £'000 | 2016 £'000 |
|---|------|-----------------|---------------|
| Net cash inflow from operating activities | | 14,292 | 9,914 |
| Cashflow from investing activities | | | |
| Additions to housing properties | 12 | (24,696) | (21,025) |
| Interest and Dividends Received | 7 | 106 | 106 |
| Capital grants received | | 8,094 | 14,297 |
| Payments to acquire other fixed assets | 13 | (188) | (186) |
| Payments to acquire Homebuy fixed assets | | - | (5) |
| Proceeds of sales of other fixed assets | 5 | 1,032 | 997 |
| | | (15,652) | (5,816) |
| Cashflow from financing activities | | | |
| Interest paid | 8 | (956) | (1,033) |
| Loan advances received | | 2,101 | (2,653) |
| Net cash inflow / (outflow) from financing | | 1,145 | (3,686) |
| (Decrease)/ Increase in cash | | (215) | 412 |

Reconciliation of Cashflow from operating activities

| | | | |
|--|--|----------------|---------|
| Operating surplus on ordinary activities | | 18,506 | 13,129 |
| Depreciation and impairment | | 5,354 | 5,005 |
| Decrease/ (Increase) in stock and work in progress | | 405 | (3,941) |
| Gain on revaluation | | (260) | (21) |
| (Increase)/ Increase in debtors | | (959) | 220 |
| Increase/ (Decrease) in creditors | | 1,778 | (53) |
| Gain on sales of fixed assets | | (2,161) | (966) |
| Grant Amortisation | | (2,943) | (2,838) |
| SHAPS Pension movement | | (5,428) | (621) |
| Net cash inflow from operating activities | | 14,292 | 9,914 |

The notes on page 18 to 33 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 (FRS 102), with the Companies Act 2006, and the requirements of the Co-operative and Community Benefit Societies Act 2014 Determination of Accounting Requirements 2012 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Association is a public benefit entity.

The financial statements are presented in Sterling (£).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2012.

The Association's ultimate parent undertaking includes the Association in its consolidated financial statements. Those consolidated financial statements are prepared in accordance with FRS 102 and are available to the public and may be obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE.

As the consolidated financial statements of the ultimate parent undertaking, Places for People Group Limited, include the equivalent disclosures, the Association has also taken the exemptions under FRS 102 available in respect of financial instruments and has not provided disclosures otherwise required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Turnover

The turnover represents mainly rents, service charges and revenue grants receivable from the Scottish Government or Local Authorities and some fees from managing agency services.

Tenant Arrears, Trade and other debtors

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

Pensions

The Association contributes to the Social Housing Association Pension Scheme ("SHAPS") a funded multi-employer defined benefit scheme. The scheme Actuary has advised that it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to income and expenditure is disclosed in Note 23. Contributions payable under the terms of a funding agreement for past deficits are recognised as a liability in the Statement of Financial Position at the present value of the expected future cash flows for which there are contractual obligations. The Association has complied with relevant disclosures which are included in Note 23.

The Association also contributes to two defined contribution schemes. These schemes' assets are held separately from those of the Association in an independently administered fund. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

VAT

The majority of the Association's turnover from letting activities is exempt from VAT. Where appropriate, costs are stated including irrecoverable VAT.

Housing Association Grant ("HAG") and other capital grants

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

Where HAG or other grant is retained following the disposal of property, it is shown under the disposal proceeds and recycled capital grant funds in creditors. These funds will be used for the provision and improvement of new social housing for rent and sale.

HAG is initially recognised at fair value as a long term liability as deferred grant income and released through the profit and loss as turnover income over the life of the component elements of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost, except for grant received in respect of Homebuy investments, included in Notes 19 and 20 with Deferred Government Grant.

Concessionary loans

The Association has a Homebuy arrangement which is considered to be a concessionary loan.

Under the Homebuy scheme, the Association receives Homebuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Association meet the definition of concessionary loans and are shown as fixed assets investments on the balance sheet. All are non-current loans, as they are not redeemable on demand.

Deferred government grant

HAG received from the Scottish Government is initially stated at fair value as a long term liability and is amortised as income over the life of the component elements of properties.

Capitalisation of interest and development overheads

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Association's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

Investment Property

Private sector rented properties are shown in investment properties and were valued externally at the date of transition to FRS 102 (1 April 2014) by a qualified RICS chartered surveyor. Valuations are re-assessed on an annual basis.

Commercial properties are shown in investment properties and valuations are completed by a qualified RICS chartered surveyor using detailed rental income stream and yield information.

Investment properties are held at fair value with changes in fair value recognised in profit and loss.

Capitalisation of fixed assets

The Association capitalises expenditure to existing properties which it is considered will materially enhance the economic life of the asset, its income generating capacity or will result in a material reduction in annual operating costs. Components such as kitchens, windows, doors and bathroom replacement programme are capitalised and depreciated over their expected useful lives.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

Scottish Government shared equity scheme

The Association has sold properties under the Scottish Government shared equity schemes. Under these schemes buyers purchase a majority share of the property with the balance funded by Scottish Government grants. The fixed asset investment represents the total of the loans receivable from purchasers of the property when the equity is released. There is an equal and opposite liability to the Scottish Government amounting to any shared equity release.

Cost of raising finance

The cost of raising finance is amortised over the period of the instrument. The deferred cost is offset against the liability and is included within "Creditors: amounts falling due after one year" (Note 20).

Depreciation

Fixed assets other than freehold land are depreciated in accordance with FRS102 at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis, over the expected remaining useful life of the component. Freehold land is not depreciated. The estimated life of assets and components is as shown in the table below.

| <u>Housing assets</u> | <u>Depreciation period in years</u> |
|--|--------------------------------------|
| Kitchens | 20 |
| Bathroom | 20 |
| Boilers | 15 |
| External Windows & Doors | 30 |
| Roofs | 45 |
| Fire Safety Systems | 20 |
| Fencing | 30 |
| Digital TV Aerials | 10 |
| Lifts | 10 |
| Aids and adaptations | 10 |
| Initial and replacement scheme assets | 10 |
| Other Elements (new build) | 100 |
| Other Elements (rehab) | 80 |
| Other Elements (leasehold) | Lesser of Term of Lease or 100 years |
| | |
| <u>Other Fixed Assets</u> | |
| Offices (new build) | 100 |
| Offices (rehab) | 10 |
| Office refurbishment | 10 |
| Offices (long leasehold) | Lesser of Term of Lease or 100 years |
| Offices (short leasehold) | 10 |
| Equipment | 5 |
| Computer hardware, software and infrastructure | 5 |

Impairment

For fixed assets with a remaining useful life greater than 100 years an impairment review is carried out on an annual basis in accordance with FRS 102. For all other assets an impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in Note 3 analysis to the income and expenditure.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

Operating leases

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

Group Accounts

The Association is exempt from the requirement to prepare and deliver group accounts as it is itself a wholly owned subsidiary of Places for People Group Limited. As such these financial statements present information about the Association as an individual undertaking and not about its group.

Stock and work in progress

Stock and work in progress principally comprises the costs to the balance sheet date of properties being developed for rent, lease or shared ownership properties.

Service charge sinking funds

The Association is required to set aside sums in respect of future maintenance of certain factored properties. Amounts accumulated in the fund are included within "Cash at bank and in hand" and within "Creditors: falling due within one year" (Note 19).

2. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS

| | 2017 | | | 2016 |
|------------------|---------------|-----------------|-------------------|-------------------|
| | Turnover | Operating costs | Operating surplus | Operating surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Social lettings | 30,780 | (14,810) | 15,970 | 11,291 |
| Other activities | 2,667 | (1,536) | 1,131 | 943 |
| Total | 33,447 | (16,346) | 17,101 | 12,234 |

3. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM SOCIAL LETTINGS ACTIVITIES

| | 2017 | | | 2016 | |
|--|-----------------------|--|-------------------------|---------------|---------------|
| | General needs housing | Supported housing and housing for older people | Low cost home ownership | Total | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income from lettings activities | | | | | |
| Rent receivable net of service charges | 23,026 | 2,926 | 582 | 26,534 | 25,756 |
| Service charges receivable | 559 | 553 | - | 1,112 | 1,038 |
| Gross Rents Receivable | 23,585 | 3,479 | 582 | 27,646 | 26,794 |
| Less: Voids | (156) | (29) | - | (185) | (213) |
| | 23,429 | 3,450 | 582 | 27,461 | 26,581 |
| Revenue grants from local authorities and other agencies | 284 | - | - | 284 | 232 |
| Grant Amortisation | 2,576 | 267 | 100 | 2,943 | 2,838 |
| Other income | 84 | 6 | 2 | 92 | 445 |
| | 26,373 | 3,723 | 684 | 30,780 | 30,096 |
| Expenditure on letting activities | | | | | |
| Management | (4,819) | (27) | - | (4,846) | (4,497) |
| Pension Deficit Adjustment | 4,833 | - | - | 4,833 | - |
| Services | (1,264) | (896) | (5) | (2,165) | (2,000) |
| Routine maintenance | (3,518) | (512) | - | (4,030) | (2,525) |
| Planned maintenance | (2,070) | (304) | - | (2,374) | (3,831) |
| Major repairs expenditure | (493) | (229) | - | (722) | (816) |
| Rent losses from bad debts | (215) | (4) | (2) | (221) | (164) |
| Depreciation on housing assets | (4,669) | (482) | (131) | (5,282) | (4,942) |
| Other Costs | (3) | - | - | (3) | (30) |
| | (12,218) | (2,454) | (138) | (14,810) | (18,805) |
| Operating surplus on letting activities | 14,155 | 1,269 | 546 | 15,970 | 11,291 |
| Total for the year ended 31 March 2016 | 9,278 | 1,454 | 559 | 11,291 | |

4. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM OTHER ACTIVITIES

| | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | Other operating costs | Operating surplus year ended 31 March 2017 | Operating surplus year ended 31 March 2016 |
|--|--------------------------------------|----------------------------|--------------------------------|-----------------|-------------------|-----------------------------|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | - | 167 | - | - | 167 | (202) | (35) | (14) |
| Support activities | - | - | 105 | - | 105 | (82) | 23 | (7) |
| Developments and improvements for sale to non registered social landlords | - | - | - | 556 | 556 | (505) | 51 | (6) |
| Commercial property income | - | - | - | 1,499 | 1,499 | (283) | 1,216 | 921 |
| VAT recovery | - | - | - | 61 | 61 | - | 61 | 242 |
| Other | - | - | - | 279 | 279 | (464) | (185) | (193) |
| Total from other activities | - | 167 | 105 | 2,395 | 2,667 | (1,536) | 1,131 | 943 |
| Total from other activities for the year ended 31 March 2016 | - | 229 | 116 | 1,727 | 2,072 | (1,129) | 943 | |

5. SALE OF FIXED ASSETS AND REDUCTION OF GRANT LIABILITY

| | 2017 £'000 | 2016 £'000 |
|--|---------------------|-------------------|
| Sales proceeds | 1,032 | 997 |
| Cost of sales | (693) | (905) |
| Operating costs | (24) | (14) |
| Gain on sale of fixed asset | <u>315</u> | <u>78</u> |
| Reduction of grant liability | 3,665 | 1,478 |
| Recycled grant | <u>(1,819)</u> | <u>(590)</u> |
| Non cash reduction in grant liability | <u>1,846</u> | <u>888</u> |
| Surplus on sale of other assets and reduction in grant liability | <u><u>2,161</u></u> | <u><u>966</u></u> |

6. DIRECTORS AND OFFICERS' EMOLUMENTS

The Association is controlled by a Board, 4 Non Executive members received remuneration during the year to 31 March 2017. The non-executives' emoluments during the year for the Chair were met by Places for People Group Limited.

The Chief Executive is a director and is remunerated by the Association and detailed with the other officers below. The number of Non-Executive Board members whose emoluments fall in the following ranges were as follows;

| | 2017 No. | 2016 No. |
|------------------|-------------|-------------|
| £5,001 - £10,000 | <u>3</u> | <u>3</u> |

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| The aggregate of emoluments payable to Officers. | <u>370</u> | <u>366</u> |
| Aggregate emoluments payable to the Chief Executive (exc. pension) | <u>90</u> | <u>94</u> |
| Pension contributions payable to Officers | <u>71</u> | <u>69</u> |

The emoluments of the Officers (exc. pension) were as follows;

| | 2017 No. | 2016 No. |
|---------------------|-------------|-------------|
| Less than £60,000 | - | 1 |
| £60,000 to £70,000 | 2 | 1 |
| £70,000 to £80,000 | 1 | 2 |
| £80,000 to £90,000 | 1 | - |
| £90,000 to £100,000 | <u>-</u> | <u>1</u> |

Average number of employees is calculated by ascertaining for each calendar month in the financial year, the number of persons, by category, employed by the Association. The monthly numbers are then added together and divided by the number of months in the financial year.

6. DIRECTORS AND OFFICERS' EMOLUMENTS (CONT'D)

| | 2017 | 2016 |
|--|------------|------|
| | No. | No. |
| Property Services and Direct Trades | 82 | 71 |
| Sheltered Housing | 22 | 23 |
| Wider role and Commercial activities | 3 | 5 |
| Total Managing Housing Services | 157 | 151 |
| Central Administration Services | 21 | 20 |
| Total average FTE employees | 178 | 171 |

Staff costs (for the above persons):

| | 2017 | 2016 |
|-----------------------|--------------|-------|
| | £'000 | £'000 |
| Wages and salaries | 5,084 | 4,763 |
| Severance costs | 32 | 5 |
| Social security costs | 451 | 420 |
| Other pension costs | 467 | 425 |
| | 6,034 | 5,613 |

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2017 | 2016 |
|---|------------|-------|
| | £'000 | £'000 |
| Interest receivable on cash deposit | 1 | 1 |
| Dividends receivable - Ferneylea Windfarm | 105 | 105 |
| | 106 | 106 |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2017 | 2016 |
|--|--------------|-------|
| | £'000 | £'000 |
| On loans from related undertakings | 252 | 239 |
| On bank loans and overdrafts | 704 | 794 |
| | 956 | 1,033 |
| Capitalised interest | (40) | (49) |
| Unwinding of SHAPS pension liability discount | 206 | 214 |
| | 1,122 | 1,198 |
| Capitalisation rate used to determine the finance costs capitalised during the year: | 2.16% | 1.68% |

9. GIFT AID

| | 2017 | 2016 |
|---|-------|-------|
| | £'000 | £'000 |
| Gift Aid received from Places for People Scotland Ltd | - | 1,000 |

10. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

Surplus on ordinary activities before taxation was arrived at after charging:

| | 2017 | 2016 |
|--|-----------|-----------|
| | £'000 | £'000 |
| Auditor remuneration in their capacity as auditors | 12 | 11 |
| Payments under operating leases on motor vehicles | 339 | 151 |
| Depreciation of Housing fixed assets | 5,278 | 4,939 |
| Depreciation of Other fixed assets | 76 | 60 |
| | <u>76</u> | <u>60</u> |

11. TAXATION

There was no charge for corporation tax in 2017 or in 2016. The Association has charitable status and is exempt from corporation taxation under the provisions of Section 505 of the Income and Corporation Taxes Act 1988.

12. HOUSING PROPERTIES

| | Completed housing properties £'000 | Completed LSE & Shared Ownership housing properties £'000 | Housing properties in the course of construction £'000 | Total housing properties £'000 |
|--|---------------------------------------|--|---|-----------------------------------|
| Cost | | | | |
| As at 1st April 2016 | 378,466 | 14,318 | 12,020 | 404,804 |
| Additions | - | - | 24,696 | 24,696 |
| Change of tenure /use | (124) | 55 | 5 | (64) |
| Schemes completed in year | 25,149 | - | (25,149) | - |
| Disposals | (98) | (194) | - | (292) |
| At 31 March 2017 | 403,393 | 14,179 | 11,572 | 429,144 |
| Depreciation & Impairment | | | | |
| At 1 April 2016 | (49,685) | (1,486) | - | (51,171) |
| Depreciation charges during year | (5,150) | (128) | - | (5,278) |
| Depreciation change of tenure | - | - | - | - |
| Depreciation eliminated on disposal | 21 | 24 | - | 45 |
| At 31 March 2017 | (54,814) | (1,590) | - | (56,404) |
| Net Book Value at 31 March 2017 | 348,579 | 12,589 | 11,572 | 372,740 |
| Net Book Value at 1 April 2016 | 328,781 | 12,832 | 12,020 | 353,633 |

Included in the additions of £24.696m and transferred to completed schemes of £25.149m is £6.207m (2016: £4.457m) in respect of capitalised major repairs. In addition the cost of planned, cyclical and major repairs charged to revenue in the year amounted to £3.122m (2016: £3.416m).

13. OTHER FIXED ASSETS

| | Plant & Special Equipment £'000 | Computer Equipment £'000 | Freehold Commercial Properties £'000 | Fixtures & Fittings £'000 | Total £'000 |
|--|--|--------------------------------|---|---------------------------------|----------------|
| Cost | | | | | |
| At 1 April 2016 | 3 | 48 | 2,671 | 217 | 2,939 |
| Additions | - | - | 188 | - | 188 |
| Change in Tenure | - | - | - | - | - |
| At 31 March 2017 | 3 | 48 | 2,859 | 217 | 3,127 |
| Depreciation | | | | | |
| At 1 April 2016 | (1) | (45) | (100) | (183) | (329) |
| Charged during year | - | (3) | (58) | (15) | (76) |
| At 31 March 2017 | (1) | (48) | (158) | (198) | (405) |
| Net book value at 31 March 2017 | 2 | - | 2,701 | 19 | 2,722 |
| Net book value at 31 March 2016 | 2 | 3 | 2,571 | 34 | 2,610 |

14. FIXED ASSET INVESTMENTS

| | 2017 £'000 | 2016 £'000 |
|----------------------------|---------------|---------------|
| As at 1 April 2016 | 2,035 | 2,014 |
| Revaluation | 260 | 21 |
| As at 31 March 2017 | 2,295 | 2,035 |

15. HOMEBUY FIXED ASSET INVESTMENTS

| | 2017 £'000 | 2016 £'000 |
|--------------------------|---------------|---------------|
| At 1 April | 159 | 183 |
| Net appreciation in year | 7 | 5 |
| Disposals in year | - | (29) |
| At 31 March | 166 | 159 |

16. OTHER FIXED ASSET INVESTMENTS

| | 2017 £'000 | 2016 £'000 |
|-----------------|---------------|---------------|
| Cost | | |
| At 1 April | 1,010 | 1,010 |
| At 31 March | 1,010 | 1,010 |
| Repayable grant | 10 | 10 |
| Other shares | 1,000 | 1,000 |
| | 1,010 | 1,010 |

16. OTHER FIXED ASSET INVESTMENTS (CONT'D)

The fixed asset investments are as follows:

Investments in Ferneylea Windfarm £40 Equity and 1,000,000 £1 Preference Shares.

Repayable grant £10,000 advanced to Vital Spark Incubation Ltd.

Castle Rock Edinvar Housing Association holds a fixed asset investment in Places for People Scotland Limited, being 100% of its ordinary share capital held at a cost of £1.

17. STOCK AND WORK IN PROGRESS

| | 2017 | 2016 |
|----------------------|---------------------|--------------|
| | £'000 | £'000 |
| Completed properties | 3,557 | 3,980 |
| Stock Other | 91 | 73 |
| | <u>3,648</u> | <u>4,053</u> |

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 | 2016 |
|--|---------------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Rental debtors | 1,268 | 1,153 |
| Less: provision for bad and doubtful debts | (358) | (328) |
| | <u>910</u> | <u>825</u> |
| Other trade debtors | 1,678 | 1,141 |
| Other taxes | 85 | 71 |
| Sundry debtors, prepayments and accrued income | 55 | 52 |
| Capital development debtor | 1,095 | 1,373 |
| Amounts due from related undertakings | 783 | 182 |
| Loans to employees | - | 3 |
| | <u>4,606</u> | <u>3,647</u> |

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 | 2016 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Housing loans principal payable within one year | 2,424 | 2,541 |
| Finance leases | 2 | 28 |
| Interest on housing loans | 41 | 59 |
| Trade creditors | 1,802 | 826 |
| Other creditors and accruals | 3,623 | 2,397 |
| Capital development creditor | 3,655 | 4,056 |
| Deferred Government Grant | 3,039 | 2,926 |
| Liability in respect of SHAPS pension scheme (Note 23) | 777 | 796 |
| Prepaid rent | 552 | 508 |
| | <u>15,915</u> | <u>14,137</u> |

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

| | 2017 | 2016 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Debt | | |
| Housing loans | 43,646 | 46,254 |
| Loans from related undertakings | 11,750 | 7,200 |
| Recycled Capital Grant Funds | 3,743 | 2,824 |
| Cost of raising finance | (223) | (238) |
| | <u>58,916</u> | 56,040 |
| Less : payable within one year | (2,426) | (2,569) |
| Deferred Government Grant | 213,383 | 211,433 |
| Liability in respect of SHAPS pension scheme (Note 23) | 3,171 | 8,599 |
| Total creditors: amounts falling due after more than one year | <u>273,044</u> | <u>273,503</u> |

Debt analysis

Debt is repayable as follows:

| | | |
|---|---------------|---------------|
| In one year or less | 2,426 | 2,569 |
| In more than one year but less than two years | 2,213 | 2,367 |
| In more than two years but less than five years | 18,563 | 14,132 |
| In more than five years : | | |
| By instalments | 30,214 | 31,472 |
| Not by instalments | 5,500 | 5,500 |
| | <u>58,916</u> | <u>56,040</u> |

The loans are secured by specific charges over properties, and are repayable at varying rates of interest.

21. NON EQUITY SHARE CAPITAL

| | 2017 No. | 2016 No. |
|---|-------------------|-------------------|
| Issued, allotted and unpaid "A" shares of £1 each | | |
| At 1 April | 9 | 9 |
| Issued during the year | 1 | 1 |
| Cancelled during the year | <u>(2)</u> | <u>(1)</u> |
| At 31 March | <u>8</u> | <u>9</u> |
| Issued, allotted and unpaid "B" shares of £1 each | | |
| At 1 April | 168 | 168 |
| Cancelled during the year | (8) | (1) |
| Issued during the year | <u>2</u> | <u>1</u> |
| At 31 March | <u>162</u> | <u>168</u> |

The shares are not transferable or redeemable. Payment of dividends or other benefits to shareholders is forbidden by the Association's rules and by the Cooperative and Community Benefit Societies Act 2014. On a return of capital on a winding-up, no member shall receive any property or sum beyond their £1 entitlement.

22. CAPITAL AND FINANCIAL COMMITMENTS

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Capital Commitments | | |
| Contracts placed for future capital expenditure not provided in the financial statements. | <u>6,355</u> | <u>3,664</u> |
| Additional Capital expenditure that has been authorised by the Board of directors | <u>43,420</u> | <u>34,932</u> |

Grant funding is in place for all social housing projects where contracts have been placed for future capital expenditure.

The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires are set out below.

Motor Vehicles

| | | |
|----------------------------|-------------------|-------------------|
| In one year or less | 122 | 117 |
| Between two and five years | <u>239</u> | <u>237</u> |
| | <u>361</u> | <u>354</u> |

23. PENSION OBLIGATIONS

The Association contributed to one Defined Benefit and two Defined Contribution schemes during the year. The pension costs for the Association relate to the following schemes:

The Scottish Housing Associations' Pension Scheme (SHAPS) - defined benefit section ("the Scheme")

The Association participates in the Scheme which is a multi-employer defined benefit scheme. The Scheme is a defined benefit scheme in the UK.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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.

The Trustee commissions 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.

The Scheme was previously closed to new entrants and from 1 April 2014 new accruals ceased. Members of the Scheme were given the option to enrol in one of the Associations' Defined Contribution schemes.

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

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

A full actuarial valuation for the Scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the Scheme as follows:

Deficit Contributions

From 1 April 2017 to 28 February 2022: £777k per annum (payable monthly and increasing by 3% each year on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the Scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

23. PENSION OBLIGATIONS (CONT'D)

| | 2017 | 2016 |
|--|-----------------------|--------------|
| | £000 | £000 |
| Present Values of Provision | <u>3,948</u> | <u>9,395</u> |
| <i>Reconciliation of opening and closing provisions</i> | | |
| Provision at start of period | 9,395 | 9,992 |
| Unwinding of the discount factor (interest expense) | 206 | 212 |
| Deficit contribution paid | (796) | (772) |
| Remeasurements - impact of any change in assumptions | 115 | (37) |
| Remeasurements - amendments to the contribution schedule | <u>(4,972)</u> | <u>-</u> |
| Provision at end of period | <u>3,948</u> | <u>9,395</u> |
| <i>Income and expenditure impact</i> | | |
| Interest expense | 206 | 212 |
| Remeasurements - impact of any change in assumptions | 115 | (37) |
| Remeasurements - amendments to the contribution schedule | (4,972) | - |
| <i>Assumptions</i> | | |
| | % per annum | % per annum |
| Rate of Discount | 1.06% | 2.29% |

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 bond yield curve to discount the same recovery plan contributions.

23. PENSION OBLIGATIONS (CONT'D)

The Scottish Housing Associations' Pension Scheme - defined contribution section ("the DC Scheme")

From 1 April 2014 membership of the DC Scheme was opened to all staff members. All new employees joining the Association will now be auto enrolled into the DC Scheme, to which the Association contributes.

The total cost charged to Statement of Comprehensive Income of £255,199 (2016: £201,100) represents contributions payable to this scheme by the Association at rates specified in the rules of the scheme. As at 31 March 2017 contributions of £20,819 (2016: £16,414) due in respect of the financial year had not been paid over to the scheme.

The Places for People Group Stakeholder Scheme ("the Group Scheme")

Employees joining the Association from 1 September 2004 to 1 April 2014 had the option of joining the Group Scheme. From the 1 April 2014 this scheme is only available to new entrants with sessional contracts.

The total cost charged to the Statement of Comprehensive Income of £212,062 (2016: £221,186) represents contributions payable to this scheme by the Association at rates specified in the rules of the scheme. As at 31 March 2017 contributions of £18,817 (2016: £18,661) due in respect of the financial year had not been paid over to the scheme.

24. CONTINGENT LIABILITIES

There are no contingent liabilities other than those referred to in Note 23 concerning the SHAPS pension scheme.

25. LOTTERY GRANT FUNDING

The Association has received restricted grant funding during the year from the Big Lottery Fund.

| | Outdoor Matters | Money Matters | 2017 Total | 2016 Total |
|------------------------------|----------------------------|--------------------------|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 67 | 38 | 105 | 61 |
| Grant money received in year | 77 | 153 | 230 | 233 |
| Expenditure in year | (50) | (191) | (241) | (189) |
| At 31 March | <u>94</u> | <u>-</u> | <u>94</u> | <u>105</u> |

The balance carried forward is included within Creditors: Amounts falling due within one year Note 19.

26. RELATED PARTY TRANSACTIONS

The Association is a subsidiary of the Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. As the ultimate parent company publishes consolidated group accounts the Association has accordingly taken advantage of the exemption not to report transactions with other group members as permitted by FRS102 section 33.1A.

The principal subsidiaries of the Association are Places for People Scotland Limited and Places for People Scotland Care & Support Limited.

27. HOUSING ACCOMMODATION

The Association's ownership of properties is summarised below;

| | 2017 | 2016 |
|-----------------------|--------------|--------------|
| | No. | No. |
| General needs | 5,609 | 5,467 |
| Support accommodation | 778 | 781 |
| Shared ownership | 253 | 257 |
| Other tenancies | 21 | 21 |
| Managed for others | 29 | 32 |
| | <u>6,690</u> | <u>6,558</u> |

| | General needs housing | Supported housing | Shared ownership housing | Others | 2017 Total | 2016 Total |
|----------------------------------|-----------------------------|----------------------|--------------------------------|-----------|---------------|---------------|
| | No. | No. | No. | No. | No. | No. |
| Units owned and managed at y/end | 5,154 | 677 | 253 | - | 6,084 | 6,023 |
| Units managed not owned at y/end | 1 | 28 | - | - | 29 | 32 |
| Units owned not managed at y/end | 455 | 101 | - | 21 | 577 | 503 |
| | <u>5,610</u> | <u>806</u> | <u>253</u> | <u>21</u> | <u>6,690</u> | <u>6,558</u> |

| | 2017 | 2016 |
|--|------------|------------|
| | No. | No. |
| Units owned not managed at year end by managing body | | |
| Places for People Scotland | 317 | 243 |
| Edinburgh Student Co-op | 106 | 106 |
| West Lothian Council | 30 | 30 |
| Key Moves | 20 | 20 |
| Edinburgh Cyrenians | 19 | 19 |
| City of Edinburgh Council | 16 | 16 |
| Other | 69 | 69 |
| | <u>577</u> | <u>503</u> |