CASTLE ROCK EDINVAR

HOUSING ASSOCIATION

Annual Report

Year ending 31 March 2018

Scottish Charity number SC006035

Registered Society number 1767R(S)

CONTENTS

Board of Management	Graham Waddell	Chair
	Ben Dale	(appointed 22 August 2017)
	Anna Evans	(resigned 27 September 2017)
	Alison Freshwater	(appointed 9 May 2017)
	Dr. Cathy Garner	(resigned 28 February 2018)
	Elaine Haddow	(resigned 31 March 2018)
	Janet Hamblin	(appointed 1 April 2018)
	Julie Jackson	
	Richard Jennings	
	John McGuigan	(appointed 9 May 2017)
	Stephen Oswald	
	David Robertson	(resigned 1 May 2018)
	Deirdre Robertson	(appointed 9 May 2017)
		(resigned 5 December 2017)
	Pamela Scott	(appointed 9 May 2017)
	Simran Soin	(resigned 22 August 2017)
	Andrew Winstanley	(appointed 22 August 2017)
Executives	Richard Jennings	Managing Director
	Sandy Welsh	Head of Housing Services
	Heather Macnaughton	Head of Community Investment
	Chris Thomson	Head of Maintenance & Property Management
	Chris Martin	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 2018.

Places for People Group

Places for People Group ("the Group") is an award-winning placemaking, property management, development, regeneration and leisure company, with over 50 years' experience creating thriving, sustainable places. The strength of the Group comes from its collective capability to provide a comprehensive placemaking service. It provides property management, regeneration, construction, development and leisure services through a diverse mix of companies. It is able to supply housing for affordable rent, market rent and sale, commercial property, financial services, older persons and support services, leisure and regeneration products. The Group has an ambition to provide tenure choice to meet the needs of our customers at whatever point of the housing spectrum they are on. 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 places that work for everyone. By combining the multiple products and services provided by the Group with the skills of its staff and its financial strength, the Group is able to produce solutions. Collaboration is the key to this success.

Vision, mission and values

Places for People Group's vision is *"Creating places that work for everyone* "The Group wide mission statement is *"More homes. Sustainable places. Valued services."* This vision and mission encapsulates the Group's long-term commitments to its creating and managing places that work for everyone.

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. Castle Rock Edinvar is one of six Registered Social Landlords in the Places for People Group.

The aim of Castle Rock Edinvar and its subsidiary, Places for People Scotland, is to be a successful Scottish place management business harnessing the combined strengths of the Group and the local Scottish companies. Castle Rock Edinvar was the sole member of Places for People Scotland Care and Support Ltd. On the 21 March 2018 Castle Rock Edinvar relinquished its membership and Places for People Scotland Care and Support Ltd became a standalone organisation operating as 'with You'.

Together the Castle Rock Edinvar and Places for People Scotland at 31 March 2018 owned and managed 11,262 (2017: 10,713) rented and shared ownership homes across Scotland and had a combined turnover of £57.7 million (2017: £62.6 million). Castle Rock Edinvar owned and managed 6,757 properties at 31 March 2018 (2017: 6,690). The turnover of Castle Rock Edinvar was £33.7 million (2017: £30.8 million) during the year. Castle Rock Edinvar is also a significant employer with 185 FTE staff (2017: 178).

Castle Rock Edinvar's vision aligns with the Group and is 'Creating Places that work for Everyone. The mission is: ***"Ensuring successful places and enabling people to reach their potential in Scotland through building more homes, creating sustainable places and delivery of valued services."*** Castle Rock Edinvar's priority is to grow and expand the offer in Scotland to reflect the capability and capacity of the Places for People Group. This will include building more homes, extending in to new geographies, seeking further opportunities for Placemaking and using our reputation and influence to create opportunities for the Group.

To deliver the vision and mission Castle Rock Edinvar will;

- Grow the supply of affordable housing options
- Support the growth in development through innovation
- Deliver an asset management investment programme that ensures full compliance with safety, quality and standards.
- Develop and deliver a performance framework to drive improvement in all aspects of the business and demonstrate value for money
- Continue development of business models to ensure fitness for the future

Principal activities of Castle Rock Edinvar (cont'd)

- Be a great place to work with people engaged and effective, within an organisation which is progressive, supportive and resilient and with a culture in line with our SPIRIT values.
- Deliver social change in their places which enable people to reach their potential and maximise both a financial and social return on investment.

Principal markets and associated risks

Castle Rock Edinvar is the fifth largest housing association in Scotland and currently operates across nine local authority areas. It owns or manages over 6,750 homes and last year built 331 new homes for Social Rent, Mid Market Rent, Shared Equity and Outright Sale. It has a future pipeline of 2,134 homes over the next 3 years. The potential contribution to new housing supply is one of the most significant in the Scottish RSL sector.

Castle Rock Edinvar allocates homes to people based on need with rents set to be 'affordable' to those on low incomes and new homes continued to be subsidised by capital grant. 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 additional opportunities for the Group in Scotland. The non charitable and commercial operations within Scotland, including developing for outright sale and shared equity and market and mid-market rental are carried out within the trading subsidiary, Places for People Scotland.

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

- Political uncertainty and economic impacts.
- Lack of grant funding through increased competition to meet development growth aspirations.
- An increase in inflation and the impact on costs particularly in development and asset management.
- An increase in interest rates for variable loan borrowings.
- Potential restrictions on new capital expenditure by the Group.
- Demand for repairs and the volume and condition of void properties impact on financial performance.
- Changes to governance and leadership disrupt business continuity.
- Internal development delivery model and risk transference in programme delivery and potential loss of opportunities
- Income collection costs, rent arrears and property turnover increase, associated with the implementation of Universal Credit.
- Demographic and social trend projections and declining social mobility.
- Failing to deliver a contractual commitment associated with grant and service contracts

Risk management is at the heart of the approach to planning and running the business. The Board and Senior Management have developed, and regularly review, a Risk Map in accordance with Group procedures. It identifies, quantifies and prioritises risks to ensure that each risk is appropriately owned and manged and ensures that effective controls and mitigation strategies are in place to reduce risks to a level that accords with the Board's appetite for risk.

Delivering successful outcomes in 2017/18

As one of Scotland's leading housing associations we recognise the importance of growth, investment and efficiency to improve both the organisation, outcomes for customers and support the wider housing and place-making sector. In 2017/18, in collaboration with others, Castle Rock Edinvar achieved:

- The finalisation of the "1,000 Homes for Edinburgh" initiative which has seen the leasing of a total of 290 properties 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.
- Developed and took handover of 20 new affordable properties at Mingulay and North Berwick and 51 midmarket properties over 4 sites. We also have an additional 287 Social Rent and 108 Leased units scheduled for handover in 2018/19 across 19 separate developments.

- Undertook a review of our approach to older persons services, deregistering our sheltered housing accommodation from the Care Inspectorate and restructuring teams to provide a more effective service aligned to the needs of customers.
- Concluded our LEAN process review of the responsive repairs service and amended operational hours to reflect customer demand and increase productivity.
- Delivered a programme of support, funded through Scottish Council for Voluntary Organisations (SCVO), to 89 older people to improve their digital skills within our wi-fi enabled retirement developments.
- Received an additional dividend windfall of £200k through our sale of Ferneylea Windfarm which will fund future community investment activities.
- Following a review resigned as the sole member of Places for People Scotland Care and Support, on 21 March 2018, to enable the organisation to become independent and relaunch as With YOU.

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 2018 was £33.7m (2017: £33.4m). (Note 3).

The total revenue and capitalised expenditure, including property services overheads, on repairs and improvements during the year amounted to £12.9m (2017: £13.4m). 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 2018 remained static at £0.9m in the current year. This represented an average interest rate of 1.6% (2017:1.7%) per annum.

During the year to 31 March 2018 Castle Rock Edinvar sold 4 properties amounting to £476k (2017: 6 properties) and 4 shared ownership properties amounting to £445k (2017: 5 properties).

The surplus for the year was £14.7m (2017: £18.5m). The reserves carried forward at 31 March 2018 were £113.0m (2017: £98.3m) 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 2018

The depreciated cost of Castle Rock Edinvar's housing assets at 31 March 2018 was £392.5m (2017: £372.7m). These have been funded from Housing Association Grant (HAG) and other capital grants of £223.1m (57%), loans of £54.8m (14%) and the Association's own resources of £114.6m (29%).

Donations

No gift aid was received from Places for People Scotland Limited during the year ended 31 March 2018 (2016: Nil). During the year Castle Rock Edinvar made £12,840 (2017: £7,340) of 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 2018 customer satisfaction survey show a positive result for the year. Overall levels of satisfaction remain high despite a small dip in satisfaction. 93% of tenants were satisfied with the service overall compared to 97% in 2017 and 95% were satisfied with the quality of their home compared to 98% in 2017. 89% of tenants feel their rent represents good value for money compared to 72% in 2017.

Despite a challenging operating environment, results at the financial year-end show an improving performance in most areas. Tenancy turnover has increased marginally during the year from 6.5% in March 2017 to 6.63% in March 2018. Over the year 469 (2017: 656) lets have taken place with the average time to prepare properties to re-let increasing from 22.1 days at the end of March 2017 to 22.3 days by March 2018. Operational void loss has also decreased from 0.40% to 0.38%.

The volume of repairs increased over the prior year to 19,669 (2017: 18,981). The emergency repairs average timescales increased slightly to 3.01 hours (2017: 2.7 hours). Non-emergency has also increased to 8.6 days (2017: 8.2 days). Gas servicing achieved the 100% target to have current landlord gas safety certificates at 31 March 2018.

Increasing rent arrears were forecast for 2017/18 but these were well controlled. There has been an improvement from 4.02% to 3.28% which is better than 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 (2017: 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 2018, of our 6,195 (2017: 6,111) self-contained properties, we have achieved the Scottish Housing Quality Standard (SHQS) with 260 exemptions (2017: 192) and 95 abeyances (2017: 79) and 6 failures (2017:29). We continue to implement the new Energy Efficiency in Scottish Social Housing (EESSH) requirements during the year with 85% (2017: 82%) of our stock meeting this standard.

Future developments and initiatives

Castle Rock Edinvar completed 103 affordable rented properties during the year to 31 March 2018 (2017: 146). Castle Rock Edinvar will complete a further 395 affordable rented properties by the end of March 2019. Capital expenditure contracted but not provided in the accounts amounted to £41.9m (2017: £6.4m) (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 2017/18 Castle Rock Edinvar and Places for People Scotland jointly contributed to developing "1,000 homes for Edinburgh" supported by a HAG recycling initiative. At the end of March 2018 1,043 units are secured with a further 853 units potentially in the development pipeline.

Treasury management

Castle Rock Edinvar's internal borrowings decreased slightly from £55.4m at March 2017 to £54.8m at March 2018. The ratio of net loans to housing assets reduced marginally to 14% (2017: 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.

During the year the percentage of loans arranged at fixed interest rates has reduced to 8.1% (2017: 17.9%). The ratio of fixed and variable rates are reviewed regularly to ensure that Castle Rock Edinvar borrows at the best rates.

Other funding

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 24).

Employment

During the year ended 31 March 2018 the average number of people employed, expressed as full time equivalents, was 185 (2017: 178). At 31 March 2018 the actual number of people employed was 168 (2017: 198). Employee information is stated in Note 6 to these financial statements.

There have been 13 promotions during the year. Through the staff recognition scheme, 'Star Awards', 34 individual staff and 42 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. The Group's Talent Management & Succession Planning process was introduced for leadership roles this year and will be extended further in 2018/19. Our staff rewards program was reviewed and a relaunched Our Place benefits portal introduced providing a range of benefits. Staff have access to a comprehensive learning and development programme. The overall Places for People Group holds the Investors in People Gold accreditation. For the twelve months to 31 March 2018, absenteeism has increased up to 3.93% (2017: 2.88%). Staff turnover has increased slightly to 13.86% (2017: 13.1%) and has been driven in part by the Older Persons Services review. 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 2018/19. More details of the Association's Pension Obligations are included in Note 22.

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, Wellbeing and Safety are covered. Health, Wellbeing and Safety performance is audited by both Group Health and Safety staff and Internal Business Assurance. There is also a local health and safety operational working group to improve organisational culture and attitudes to working practices. We introduced a wellbeing strategy to complement our Health Safety Plan.

The Grenfell tragedy has focused attention on the design and maintenance of our taller properties. We do not have any buildings similar to Grenfell Tower nor the material used, however we have conducted fire risk assessments on all 6 storey plus buildings to review any further fire safety proposals that would ensure that our properties exceed fire safety regulations. We have started a number of new initiatives aimed at improving and promoting fire safety which will continue to be rolled out across our stock in the 2018/19 year.

During the year we updated our Health and Safety approach to develop a strategy and guiding principles policies. A number of new staff training and education initiatives will support our health, wellbeing and safety of both our people and place. The senior management team have all completed the IOSH Leading Safely programme. During 2017/18 there were 2 (2017: 4) 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 three 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 Board has a stated policy on diversity, including gender, and has measurable objectives to achieving these goals. 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. An external search consultancy was used to ensure that new Board appointments made in 2017/18 met the needs of the business. 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 Chair conducts an annual review of the performance of the Board, its committees and its individual directors.

The Managing Director provided a Governance Effectiveness review and assessment of adherence to the Board's adopted code of conduct for 2017/18 for the Places for People Group Nominations and Governance Committee. T

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 subsidiary. . 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 2018 is set out below.

The Board (cont'd)

Board Members		Board Meetings	Audit & Risk Committee	Nominations & Governance	AGM
Graham Waddell	Chair - CRE	6/6	2/4	3/3	1/1
Ben Dale	(appointed 22/08/2017)	3/4	2/2	-	0/1
Anna Evans	(resigned 26/09/2017)	2/3	-	0/1	1/1
Alison Freshwater	(appointed 09/05/2017)	6/6	-	1/1	1/1
Cathy Garner	(resigned 28/02/2018)	6/6	4/4	3/3	1/1
Elaine Haddow	(resigned 31/03/2018)	4/6	-	2/3	0/1
Julie Jackson		4/6	0/1	-	0/1
Richard Jennings		5/6	-	-	1/1
John McGuigan	(appointed 09/05/2017)	5/6	2/2	-	1/1
Stephen Oswald		5/6	-	1/1	1/1
David Robertson	(resigned 01/05/2018)	5/6	4/4	-	0/1
Deirdre Robertson	(appointed 09/05/2017) (resigned 05/12/2017)	2/4	-	-	0/1
Pamela Scott	Senior Independent Director (appointed 09/05/2017)	4/6	-	1/2	1/1
Simran Soin	(resigned 22/08/2017)	0/1	-	-	-
Ian Stevenson (with YOU)	Co-opted ARC (resigned 31/03/2018)	-	4/4	-	-
Andrew Winstanley	(appointed 22/08/2017)	4/5	3/5	-	0/1

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 Group business assurance function supports the Board and Management through the provision of an objective and business-focused review service. An operational plan developed in conjunction with Management and the Audit and Risk Committee focuses upon key business risks. A plan is developed using the 'three lines of defence' model, to take account of existing quality assurance and compliance functions that provide a 'second line of defence' against control failures across the business.

The Audit & Risk Committee has reviewed the effectiveness of the system of internal control for the year ended 31 March 2018 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.

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.

Corporate Governance

The Association has complied with the UK Corporate Governance Code (2016 version) except for those provisions relating to the re-election of directors, remuneration committees and shareholder relations. The reasons for this are:

- Code provisions B.7 and E1, and aspects of C.3 that contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments and director remuneration and the use of the AGM to communicate with investors. The reason for this is that Group does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the board or an appropriate committee of the board and it engages with investors directly and through an annual investors forum.

- Code provision D2 where the Group does not have a Remuneration Committee. However, the Group has a Remuneration Committee, a Nominations & Governance Committee and a Treasury Committee. The remit of those committees extends to the Association and its business. The committees draw members from and report to the Group Board and the Group Finance Director is a member of the board of the Association, ensuring that information from the committees can reach the Association's board

The Group Annual report contains a Governance report that details the governance arrangements of the Group, and how the Code is applied at a Group level.

The directors consider the report and accounts, taken as a whole, to be fair, balanced and understandable.

Viability statement
While the financial statements have been prepared on a going concern basis, the UK Corporate Governance Code requires the directors to make a statement with regard to the viability of the Group. The Group's strategic plan covers a 10-year period, over which the directors have made assumptions regarding **the** Group's revenues, operating costs and cash requirements.

The projections for the first three years of the plan are based on current opportunities and an expectation of the rental incomes for the Group. There is inherently less certainty in the projections from year four to ten. The Group directors have therefore determined that three years is an appropriate period of the viability statement.

In assessing the Group's prospects and resilience, the directors produced projections which considered the Group's current business position and risk appetite. The projections also included the rent reductions imposed by the Government on social housing rents together with the Group's mitigating actions to reduce costs. A rigorous stress testing exercise was undertaken on the Group's projections which included a review of the impact of further rent reductions and a downturn in the development market. This exercise confirmed the Group would continue to be able to settle projected liabilities as they fall due over a three-year period.

Having assessed the prospects of the Group and the principal risks as outlined in the Directors' Report of the Group financial statements, the Group directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2021.

The Group assessment of viability includes consideration of the Association's viability within the same timescales.

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, though 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 2018. 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 Act 2014 and Registered Social Legislation 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 the 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.

[redacted]

By order of the Board
Chris Martin
Company Secretary

Independent auditor's report to Castle Rock Edinvar Housing Association only

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Castle Rock Edinvar Housing Association ("the Association") for the year ended 31 March 2018 set out on pages 17 to 36. In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and a rein dependent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us , including those which had the greatest effect on: the overall audit strategy ; the allocation of resources in the audit; and directing the efforts of the engagement team . These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows:

	The risk	Our response
Social housing rental income Rent receivable net of service charges = £27.1m (2017: £26.5m) Refer to page 10 (Issues considered by the Audit & Risk Committee section of the Governance Report), pages 21 to 24 (accounting policies) and pages 25 and 36 (financial disclosures)	Social housing rental income comprises rental income from tenants of the entity's social housing stock. Key risks associated with this balance are: — rental income is not recognised for a tenant occupying the property (completeness risk); — rental income is recorded for tenants which do not occupy the property (existence risk); and — rental income is recorded for a n amount that does not agree to the annual rent letter (accuracy risk). This is classified as a key audit matter due to the size of the balance and the fact that this is where more audit resource is spent (i.e. a head of any other individual balance).	Our procedures included: **Tests of details** — Agreeing a sample (across range of property types) of brought forward and current year property numbers to underlying source documentation (e.g. rental agreements and fixed asset system) check com pleteness, existence, accuracy and classification of those properties. — Developing an expectation of social housing rental income values for each disaggregated property type (e.g. general needs), utilising stock numbers, government changes in rent regime and other influencing factors to inform our expectation. — Com paring the actual social housing rental income values for each disaggregated property type against our expectations and assessing whether they fall within our acceptable difference threshold (which is set using appropriate, pro-rated proportions of our material level for this entity). Where the difference is outside the acceptable threshold, either per property type or in aggregate, we investigate further using underlying data and making further inquiries.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Association financial statements as a whole was set at £1.0 million (2017: £1.0 million), determined with reference to a benchmark of Association total revenue, of which it represents 3.0% (2017: 3%). We consider total turnover to be the most appropriate benchmark as the Association is a not-for-profit organisation, therefore the focus is on turnover and any surplus generated is variable and reinvested

We reported to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £50,000 (2017: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly , we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information there in is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within viability statement on page 11 that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Association, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Association will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 13, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 bas is of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, liquidity and certain aspects of legislation recognising the nature of the Association's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association's members , as a body , in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

Andrew Sayers (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London, E14 5GL

[redacted]

	Notes	2018 £'000	2017 £'000
Turnover	2	**33,740**	33,477
Operating costs	2	**(19,845)**	(16,346)
Operating surplus	2	**13,895**	17,101
Surplus on sale of fixed assets	5	**1,387**	2,161
Gain on revaluation of investment properties	14	**5**	260
Interest receivable and similar income	7	**338**	106
Interest payable and similar charges	8	**(908)**	(1,122)
Net surplus for the year		**14,717**	18,506

All activities are continuing.

The notes on pages 21 to 36 form an integral part of these financial statements.

Castle Rock Edinvar Housing Association
Statement of Financial Position
as at 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Housing properties - depreciated cost	12	**392,524**	372,740
Other fixed assets	13	**2,883**	2,722
Fixed asset investments			
Fixed asset investment	14	**2,318**	2,295
Shared Ownership fixed asset investment	15	**179**	166
Other fixed asset investment	16	**10**	1,010
		2,507	3,471
Total fixed assets		**397,914**	378,933
Current assets			
Stock	17	**3,780**	3,648
Debtors: amounts due within one year	18	**5,042**	4,606
Cash at bank and in hand		**1,786**	95
		10,608	8,349
Creditors - amounts due within one year	19	**(16,084)**	(15,915)
Net current liabilities		**(5,476)**	(7,566)
Total assets less current liabilities		**392,438**	371,367
Creditors - amounts falling due after more than one year	20	**279,398**	273,044
Capital and Reserves			
Non-equity share capital	21	-	-
Revenue reserve		**113,040**	98,323
Total capital and reserves		**113,040**	98,323
Total capital and reserves less long term liabilities		**392,438**	371,367

The notes on page 21 to 36 form an integral part of these financial statements.

The financial statements on pages 17 to 36 were approved by the Board on the 21 August 2018 and were signed on its behalf by:

[redacted]
Graham Waddell
Chair

[redacted]
Board Member

[redacted]
Chris Martin
Secretary

	Revenue Reserve £'000	Equity and Reserves £'000
Balance at 1 April 2017	**98,323**	**98,323**
Total Comprehensive income for the year		
Net surplus for the year	**14,717**	**14,717**
Balance at 31 March 2018	**113,040**	**113,040**

The notes on page 21 to 36 form an integral part of these financial statements.

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities		**13,692**	14,292
Cashflow from investing activities			
Additions to housing properties	12	**(24,655)**	(24,696)
Interest and Dividends Received	7	**338**	106
Capital grants received		**6,587**	8,094
Payments to acquire other fixed assets	13	**(240)**	(188)
Payments to acquire Homebuy fixed assets		**(18)**	-
Sale of fixed asset investment		**1,000**	-
Proceeds of sales of other fixed assets	5	**984**	1,032
		(16,004)	(15,652)
Cashflow from financing activities			
Interest paid	8	**(898)**	(956)
Loan advances received		**4,901**	2,101
Net cash inflow from financing		**4,003**	1,145
Increase/(Decrease) in cash		**1,691**	(215)

Reconciliation of Cashflow from operating activities

	2018 £'000	2017 £'000
Operating surplus on ordinary activities	**14,717**	18,506
Depreciation and impairment	**4,591**	5,354
(Increase)/ Decrease in stock and work in progress	**(131)**	405
Gain on revaluation	**(18)**	(260)
(Increase) in debtors	**(436)**	(959)
Increase in creditors	**147**	1,778
Gain on sales of fixed assets	**(1,387)**	(2,161)
Grant Amortisation	**(3,024)**	(2,943)
SHAPS Pension movement	**(767)**	(5,428)
Net cash inflow from operating activities	**13,692**	14,292

The notes on page 21 to 36 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.

After making enquiries, the Board has reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Association's financial statements.

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 22.

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 Shared Ownership arrangement which is considered to be a concessionary loan.

Under the Shared Ownership scheme, the Association receives Shared Ownership 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.

Housing assets	Depreciation period in years
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
Other Fixed Assets	
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)

Significant judgements and accounting estimates

The following are the significant judgements, apart from those involving estimations (which are set out separately below), that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Investment properties

The Association owns a range of different property types. This requires the Association to assess which properties should be classified as investment properties as these properties are held at a market valuation, not at depreciated cost.

The Association considered the FRS 102 definition of investment property which refers to property held to earn rentals for capital appreciation, rather than for administrative purposes or for sale in the ordinary course of business. The Association has also reviewed Section 16 of FRS 102 that precludes the classification of property held primarily for the provision of social benefits being classified as investment property. The Association has applied this by judging that properties without public subsidy attached to them or offices used for administrative purposes are investment properties.

Accounting estimates

The nature of estimation means that actual outcomes may differ from the estimates made. It is considered that the estimate of residual value of social housing properties has a significant impact on the carrying amount of social housing assets.

The Association consider that the residual value of social housing property structure to be cost. The net book value of social housing properties is £392.5m. The residual value of social housing property structure is £43m above the carrying value as at 31 March 2018. A 10% reduction in residual value would result in no impact to the depreciation charge.

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 18).

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

	2018 Turnover	2018 Operating costs	2018 Operating surplus	2017 Operating surplus
	£'000	**£'000**	**£'000**	£'000
Social lettings	**31,326**	**(18,843)**	**12,483**	15,970
Other activities	**2,414**	**(1,002)**	**1,412**	1,131
Total	**33,740**	**(19,845)**	**13,895**	17,101

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

	2018 General needs housing	2018 Supported housing and housing for older people	2018 Low cost home ownership	2018 Total	2017 Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Income from lettings activities					
Rent receivable net of service charges	**23,535**	**2,960**	**581**	**27,075**	26,534
Service charges receivable	**626**	**520**	**1**	**1,147**	1,112
Gross Rents Receivable	**24,161**	**3,480**	**581**	**28,223**	27,646
Less: Voids	**(198)**	**(29)**	**-**	**(227)**	(185)
	23,963	**3,451**	**581**	**27,996**	27,461
Revenue grants from local authorities and other agencies	**221**	**-**	**-**	**221**	284
Grant Amortisation	**2,660**	**266**	**98**	**3,024**	2,943
Other income	**76**	**8**	**1**	**85**	92
	26,920	**3,725**	**681**	**31,326**	30,780
Expenditure on letting activities					
Management	**(3,229)**	**(48)**	**-**	**(3,277)**	(4,846)
Pension Deficit Adjustment	**-**	**-**	**-**	**-**	4,833
Services	**(1,402)**	**(832)**	**-**	**(2,234)**	(2,165)
Routine maintenance	**(3,825)**	**(480)**	**-**	**(4,305)**	(4,030)
Planned maintenance	**(1,962)**	**(372)**	**(5)**	**(2,339)**	(2,374)
Major repairs expenditure	**(218)**	**(490)**	**-**	**(708)**	(722)
Rent losses from bad debts	**(133)**	**(12)**	**3**	**(142)**	(221)
Depreciation on housing assets	**(4,078)**	**(360)**	**(128)**	**(4,566)**	(5,282)
Other Costs	**(1,270)**	**(2)**	**-**	**(1,272)**	(9)
	(16,117)	**(2,596)**	**(130)**	**(18,843)**	(14,810)
Operating surplus on letting activities	**10,803**	**1,129**	**551**	**12,483**	15,970
Total for the year ended 31 March 2017	14,155	1,269	546	15,970	

	Other revenue grants	Supporting people income	Other income	Total Turnover	Other operating costs	Operating surplus year ended 31 March 2018	Operating surplus year ended 31 March 2017
	£'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	129	-	-	129	(430)	(301)	(35)
Support activities	-	77	-	77	(86)	(9)	23
Developments and improvements for sale to non registered social landlords	-	-	3	3	140	143	51
Commercial property income	-	-	1,924	1,924	(267)	1,657	1,216
VAT recovery	-	-	182	182	-	182	61
Other	-	-	99	99	(359)	(260)	(185)
Total from other activities	**129**	**77**	**2,208**	**2,414**	**(1,002)**	**1,412**	1,131
Total from other activities for the year ended 31 March 2016	167	105	2,395	2,667	(1,536)	1,131	

5. SALE OF FIXED ASSETS AND REDUCTION OF GRANT LIABILITY

	2018	2017
	£'000	£'000
Sales proceeds	**984**	1,032
Cost of sales	**(739)**	(693)
Operating costs	**(16)**	(24)
Gain on sale of fixed asset	**229**	315
Reduction of grant liability	**1,835**	3,665
Recycled grant	**677**	(1,819)
Non cash reduction in grant liability	**1,158**	1,846
Surplus on sale of other assets and reduction in grant liability	**1,387**	2,161

6. DIRECTORS AND OFFICERS' EMOLUMENTS

The Association is controlled by a Board, 4 Non Executive members received remuneration during the year to 31 March 2018. 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;

	2018	2017
	No.	No.
£5,001 - £10,000	**4**	3

	2018	2017
	£'000	£'000
The aggregate of emoluments payable to Officers.	**339**	370
Aggregate emoluments payable to the Chief Executive (exc. pension)	**111**	90
Pension contributions payable to Officers	**35**	71

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

	2018	2017
	No.	No.
£60,000 to £70,000	**1**	2
£70,000 to £80,000	**1**	1
£80,000 to £90,000	**1**	1
£110,000 to £120,000	**1**	-

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)

	2018	2017
	No.	No.
Housing	47	50
Property Services and Direct Trades	92	82
Sheltered Housing	21	22
Wider role and Commercial activities	3	3
Total Managing Housing Services	163	157
Central Administration Services	22	21
Total average FTE employees	185	178

Staff costs (for the above persons):

	2018	2017
	£'000	£'000
Wages and salaries	5,460	5,084
Severance costs	176	32
Social security costs	471	451
Other pension costs	254	467
	6,361	6,034

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£'000	£'000
Interest receivable on cash deposit	1	1
Dividends receivable - Ferneylea Windfarm	337	105
	338	106

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£'000	£'000
On loans from related undertakings	283	252
On bank loans and overdrafts	615	704
	898	956
Capitalised interest	(27)	(40)
Unwinding of SHAPS pension liability discount	37	206
	908	1,122
Capitalisation rate used to determine the finance costs capitalised during the year:	2.16%	2.16%

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2018	2017
	£'000	£'000
Auditor remuneration in their capacity as auditors	**10**	12
Payments under operating leases on motor vehicles	**391**	339
Depreciation of Housing fixed assets	**4,512**	5,278
Depreciation of Other fixed assets	**78**	76

10. TAXATION

There was no charge for corporation tax in 2018 or in 2017. 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.

11. 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 2017	403,393	14,179	11,572	429,144
Additions	-	-	24,655	24,655
Change of tenure /use	-	-	-	-
Schemes completed in year	17,948	(50)	(17,898)	-
Disposals	(129)	(293)	-	(422)
At 31 March 2018	**421,213**	**13,836**	**18,328**	**453,377**
Depreciation & Impairment				
At 1 April 2017	(54,814)	(1,589)	-	(56,403)
Depreciation charges during year	(4,385)	(127)	-	(4,512)
Depreciation change of tenure	-	-	-	-
Depreciation eliminated on disposal	36	26	-	62
At 31 March 2018	**(59,163)**	**(1,690)**	**-**	**(60,853)**
Net Book Value at 31 March 2018	**362,050**	**12,146**	**18,328**	**392,524**
Net Book Value at 1 April 2017	348,579	12,589	11,572	372,740

Included in the additions of £24.655m and transferred to completed schemes of £17.948m is £4.704m (2017: £6.207m) in respect of capitalised major repairs. In addition the cost of planned, cyclical and major repairs charged to revenue in the year amounted to £3.048m (2017: £3.122m).

12. OTHER FIXED ASSETS

	Plant & Special Equipment £'000	Computer Equipment £'000	Freehold Commercial Properties £'000	Fixtures & Fittings £'000	Total £'000
Cost					
At 1 April 2017	3	48	2,859	217	3,127
Additions	-	-	124	116	240
Change in Tenure	-	-	-	-	-
At 31 March 2018	**3**	**48**	**2,983**	**333**	**3,367**
Depreciation					
At 1 April 2017	(1)	(48)	(158)	(199)	(406)
Charged during year	(1)	-	(68)	(9)	(78)
At 31 March 2018	**(2)**	**(48)**	**(226)**	**(208)**	**(484)**
Net book value at 31 March 2018	**1**	**-**	**2,757**	**125**	**2,883**
Net book value at 31 March 2017	2	-	2,702	18	2,722

13. FIXED ASSET INVESTMENTS

	2018 £'000	2017 £'000
As at 1 April	**2,295**	2,035
Additions in year	**18**	-
Revaluation	**5**	260
As at 31 March	**2,318**	2,295

14. SHARED OWNERSHIP FIXED ASSET INVESTMENTS

	2018 £'000	2017 £'000
At 1 April	**166**	159
Net appreciation in year	**13**	7
At 31 March	**179**	166

15. OTHER FIXED ASSET INVESTMENTS

	2018 £'000	2017 £'000
Cost		
At 1 April	1,010	1,010
Disposals in year	**(1,000)**	-
At 31 March	**10**	1,010
Repayable grant	**10**	10
Other shares	**-**	1,000
	1,010	1,010

The fixed asset investments are as follows:
Investments in Ferneylea Windfarm - £40 Equity; 1,000,000 £1 Preference Shares redeemed during the year. 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.

16. STOCK AND WORK IN PROGRESS

	2018 £'000	2017 £'000
Completed properties	**3,737**	3,557
Stock Other	**43**	91
	3,780	3,648

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Rental debtors	**1,173**	1,268
Less: provision for bad and doubtful debts	**(280)**	(358)
	893	910
Other trade debtors	**1,932**	1,678
Other taxes	**-**	85
Sundry debtors, prepayments and accrued income	**59**	55
Capital development debtor	**1,067**	1,095
Amounts due from related undertakings	**1,091**	783
	5,202	4,606

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Housing loans principal payable within one year	**2,197**	2,541
Finance leases	**-**	28
Interest on housing loans	**48**	59
Trade creditors	**2,358**	826
Other creditors and accruals	**3,122**	2,397
Capital development creditor	**3,909**	4,056
Deferred Government Grant	**3,094**	2,926
Liability in respect of SHAPS pension scheme (Note 22)	**800**	796
Prepaid rent	**556**	508
	16,084	14,137

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

	2018 £'000	2017 £'000
Debt		
Housing loans	**41,266**	43,646
Loans from related undertakings	**13,500**	11,750
Recycled Capital Grant Funds	**4,676**	3,743
Cost of raising finance	**(199)**	(223)
	59,243	58,916
Less : payable within one year	**(2,197)**	(2,426)
Deferred Government Grant	**219,971**	213,383
Liability in respect of SHAPS pension scheme (Note 23)	**2,381**	3,171
Total creditors: amounts falling due after more than one year	**279,398**	273,044

Debt analysis
Debt is repayable as follows:

	2018	2017
In one year or less	**2,197**	2,426
In more than one year but less than two years	**2,127**	2,213
In more than two years but less than five years	**20,402**	18,563
In more than five years :		
By instalments	**24,339**	30,214
Not by instalments	**10,178**	5,500
	59,243	58,916

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

20. NON EQUITY SHARE CAPITAL

	2018 No.	2017 No.
Issued, allotted and unpaid "A" shares of £1 each		
At 1 April	**8**	9
Issued during the year	**3**	1
Cancelled during the year	**(3)**	(2)
At 31 March	**8**	8
Issued, allotted and unpaid "B" shares of £1 each		
At 1 April	**162**	168
Cancelled during the year	**(27)**	(8)
Issued during the year	**4**	2
At 31 March	**139**	162

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.

21. CAPITAL AND FINANCIAL COMMITMENTS

	2018 **£'000**	2017 £'000
Capital Commitments		
Contracts placed for future capital expenditure not provided in the financial statements.	**41,853**	6,355
Additional Capital expenditure that has been authorised by the Board of directors	**138,904**	43,420

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	**171**	122
Between two and five years	**269**	239
	440	361

22. 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.

22. PENSION OBLIGATIONS (CONT'D)

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.

	2018	2017
	£000	£000
Present Values of Provision	**3,181**	3,948

Reconciliation of opening and closing provisions		
Provision at start of period	**3,948**	9,395
Unwinding of the discount factor (interest expense)	**37**	206
Deficit contribution paid	**(777)**	(796)
Remeasurements - impact of any change in assumptions	**(27)**	115
Remeasurements - amendments to the contribution schedule	**-**	(4,972)
Provision at end of period	**3,181**	3,948

Income and expenditure impact		
Interest expense	**37**	206
Remeasurements - impact of any change in assumptions	**(27)**	115
Remeasurements - amendments to the contribution schedule	**-**	(4,972)

Assumptions

	% per annum	% per annum
Rate of Discount	**1.51%**	1.06%

22. PENSION OBLIGATIONS (CONT'D)

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.

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 amount charged to the Statement of Comprehensive Income in relation to this scheme was £777k (2017: £796k) which represents contributions payable to this scheme by the Association at rates specified in the rules of 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 amount charged to the Statement of Comprehensive Income in relation to this scheme was £211,774 (2017: £212,062) which represents contributions payable to this scheme by the Association at rates specified in the rules of the scheme.

23. CONTINGENT LIABILITIES

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

24. LOTTERY GRANT FUNDING

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

	2018	2017
	Total	Total
	£'000	£'000
At 1 April	**94**	105
Grant money received in year	**84**	230
Expenditure in year	**(66)**	(141)
At 31 March	**112**	94

The balance carried forward is included within Creditors: Amounts falling due within one year Note 18.

25. 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.

Places for People Scotland Limited is a subsidiary of the Company.

26. HOUSING ACCOMMODATION

The Association's ownership of properties is summarised below;

	2018 No.	2017 No.
General needs	**5,699**	5,609
Support accommodation	**761**	778
Shared ownership	**248**	253
Other tenancies	**21**	21
Managed for others	**28**	29
	6,757	6,690

	General needs housing No.	**Supported housing** No.	**Shared ownership housing** No.	**Others** No.	**2018 Total No.**	2017 Total No.
Units owned and managed at y/end	5,153	666	248	-	**6,067**	6,084
Units managed not owned at y/end	-	28	-	-	**28**	29
Units owned not managed at y/end	546	95	-	21	**662**	577
	5,699	**789**	**248**	**21**	**6,757**	6,690

Units owned not managed at year end by managing body	**2018 No.**	2017 No.
Places for People Scotland	**408**	317
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	**63**	69
	662	577