

Hillcrest Housing Association Limited

**FCA No. 1603 R (S)
Charity No. SC006809
RSL No. 125**

**Report and Consolidated Financial Statements for the Year Ended
31st March 2016**

Hillcrest Housing Association Limited
Report and Consolidated Financial Statements
for the year ended 31st March 2016

	Page
Members, Executives and Advisers	2 - 3
Report of the Committee of Management	4 - 7
Strategic Report	8 - 12
Statement of the Committee's responsibilities	13 -14
Report of the Auditors	15 - 16
Report of the Auditors on Corporate Governance Matters	17
Statements of Comprehensive Income	18 - 19
Statements of Financial Position	20 - 21
Statements of Changes in Reserves	22 - 23
Statements of Cash Flows	24 - 26
Notes to the Financial Statements	27 - 71

Hillcrest Housing Association Limited
Members, Executives and Advisers

Committee of Management

Ms. V. Howard	Chairperson
Ms. M. Dwarshuis	Vice-Chair
Mr. A. Russell	Audit & General Purposes Convenor
Mr. D. Scott	(Elected)
Ms. A. MacDonald	(Elected)
Mr. D. Hogg	(Resigned - 8 September 2015)
Mr. D. Noble	(Elected)
Mr. M. Hussain	(Co-opted)
Mr. T. Waters	(Resigned – 17 May 2016)
Mr. C. Payne	(Elected – 13 August 2015)
Ms. E. McCurrich	(Elected – 13 August 2015)
Mr. P. Shepherd	(Casual Vacancy – 27 October 2015)
Mr. D. Boyle	(Co-opted – 16 May 2016)
Ms. J. Roberts	(Co-opted – 16 May 2016)
Mr. K. McCracken	(Casual Vacancy – 27 October 2015) (Resigned – 6 July 2016)

Key Management Personnel

Group Chief Executive	Mrs. A. Linton
Deputy Chief Executive	Ms. F. Morrision (Company Secretary – Appointed 25 January 2016)
Director of Finance & IT	Mrs. L. Dryden
Director of Corporate Services	Mr. A. McGonigle
Director of Development & New Business	Mr. D. Zwirlein
Director of Property	Mr. M. Percival
Managing Director of Gowrie Care	Mr. D. McGowan
Managing Director of Craigowl Communities	Ms. L. Cunningham
Company Secretary	Thorntons Law LLP (Resigned 25 January 2016)

Registered Office

1 Explorer Road
Dundee
DD2 1EG

Auditors

Findlay & Company
Chartered Accountants &
Statutory Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

**Hillcrest Housing Association Limited
Members, Executives and Advisers**

Bankers

Royal Bank of Scotland
3 High Street
Dundee
DD1 9LY

Barclays Commercial Bank
Aurora
1st Floor
120 Bothwell Street
Glasgow
G2 7TJ

Lloyds Bank
3rd Floor
25 Gresham Street
London
EC2V 7HN

GB Social Housing
35 Great St Helens
London
EC3A 6AP

Solicitors

Thorntons WS
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

Miller Hendry
13 Ward Road
Dundee
DD1 1LU

Hillcrest Housing Association Limited
Report of the Committee of Management
for the year ended 31st March 2016

The Committee of Management presents their report and the audited Financial Statements for the year ended 31st March 2016.

Incorporation

Hillcrest Housing Association is a Registered Social Landlord, a registered Scottish Charity and registered with the FCA under the Co-operative and Community Benefit Societies Act 2014. The relevant registration numbers are as follows:

Financial Conduct Authority	1603R (S)
OSCR	SC006809
Scottish Housing Regulator	RSL 125

Accounting Compliance

The financial statements of the Group have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)*, the Statement of Recommended Practice for Registered Social Landlords 2014, and comply with the Registered Social Landlords Determination of Accounting Requirements 2014.

Committee of Management and Executive Officers

The Committee of Management, Executive Officers and Advisers of Hillcrest Housing Association are set out in pages 2 and 3. Each Member of the Committee of Management holds one fully paid share of £1 in the Group. The Directors of the Group hold no interest in the Group's share capital and although not having the legal status of Directors act as Executives within the authority delegated by the Committee.

Election to the Committee of Management is contained within the rules. All committee Members must be members of the Association. The maximum number of Committee Members is 15. Committee Members are elected at the Annual General Meeting. One-third of the Committee of Members must retire annually; they can put themselves up for re-election together with any nominated member of the Association.

Sustainability and Corporate Responsibility

The management, directors and staff at Hillcrest are committed to improving Hillcrest's performance in the development of housing and all other activities with regard to environmental, social and economic sustainability. We aim to implement all reasonably practicable measures to prevent pollution to the environment and comply with all current environmental regulations, legislation and 'other' requirements. All the companies in the Hillcrest Group have achieved the environmental accreditation standard – BS EN ISO 14001. The organisation will continue to work with the other subsidiaries in the Group to extend the limit of this accreditation over the forthcoming financial years.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
for the year ended 31st March 2016

Sustainability and Corporate Responsibility (continued)

The Hillcrest Group of Companies also recognises its role in achieving sustainable communities through its involvement in social enterprise projects. We do this through a mixture of initiatives including our apprenticeship training programme, toolbox project, making money work, tenancy support which includes having a dedicated resource to review energy efficiency for our tenants, and pre-tenancy services. In the financial year to March 2017, Hillcrest Housing Association is going to undertake a Social Return on Investment Audit to quantify the value achieved through the social activities it carries out.

Risk Management

Risk Management is an essential element of best practice corporate governance. The Hillcrest Group of Companies has an effective approach to risk management, embedding the process into the day to day activities carried out. All individuals have access to the risk register and are aware of the actions required to add to or amend risks.

The organisation has had a continued focus to risk management in identifying, mitigating and managing the risk processes throughout the Group and in particular within the Subsidiary reporting. The risk register is continually reviewed and updated to ensure all risks are noted and the risks quantified.

The Group ensures that structures and governance continually evolve and adapt to a fast changing and challenging operating environment and that where key risks are identified, strategies are put in place to manage the risk. The Committee of Management is satisfied that there are systems in place to mitigate the company's exposure to risk.

Review of Business and Future Development

Financial Review

Results

The Group has made a surplus of £4.3M in the year to 31st March 2016 which represents an increase of surplus of £4.4M from the previous year. The Association has made a surplus of £3.2M in the year to 31st March 2016 which represents an increase of £8.2M surplus from the previous year. The 31st March 2015 results of both the Group and the Association were restated on the implementation of FRS 102 resulting in a deficit of £77.9K and £4.9M respectively after the adverse movement in value of financial instruments and pension scheme. Annual surpluses are required to cover long term maintenance obligations, repayment of loans and future risks.

Balance Sheet

This resulted in a £4.3M increase in the Group net assets from £46.7M to £51.0M as at 31 March 2016. The Group's liquidity remains strong with a significant number of unencumbered properties available as security if required. The increase in the Group's net asset value is attributable to the continued financial contribution to development. A further £26.0M was invested in property development during the financial year.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
For the year ended 31st March 2016

Growth

During the financial year to March 2016, Hillcrest Housing Association took into management a further 78 units. These were a mixture of traditional social rented and mid-market rented property. Hillcrest continues to have a healthy development programme with over 817 units planned for development in the forthcoming 3-year period.

A detailed housing stock analysis is provided in Note 13.

Revenue Reserves

This reflects past years' activities and has to provide for the issues of the future financial health of the Group which are long term maintenance, loan repayments and future risk. General reserves are required to ensure the future financial stability of the Group. The total revenue reserves amount to almost £50.8M which the Board of Management believes to be adequate.

Additional information about the reserves is provided in Notes 24.

Employee Involvement

The Group has continued its practice of keeping the employees informed about the matters affecting them as employees and the financial and economic factors affecting the Group and its tenants. This is achieved through consultations with employee representatives and staff meetings, newsletters, presentation of the Internal Management Plan to all staff and representation by staff at various working parties set up to review particular areas of work. The Hillcrest Group of Companies has achieved the Investors in People Gold Award.

Learning and Development

The Hillcrest Group of Companies has a comprehensive Learning and Development Policy, a dedicated Learning and Development Team who undertake a variety of internal training courses including organisational introduction, manual handling, non-crisis intervention and autism training.

Operational Policies

Hillcrest Housing Association has a comprehensive Policy and Procedures Manual covering all of its major areas of operation. All policies are reviewed regularly in line with guidance provided by Scottish Ministers, Best Practice Guidance and any other relevant statutory body.

Equal Opportunities & Disabled Persons

The Hillcrest Group of Companies has an Equality & Diversity Policy to ensure that there are no discrimination or less favourable treatment on the grounds of any protected characteristic, this being sex, marital status, age, race, colour, nationality, ethnic or national origin, religion, or disability, or is disadvantaged by conditions or requirements which cannot be justifiable. The Group has achieved the Disability 2 Tick Accreditation and is committed to making all reasonable adjustments if required to those within its employment.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
For the year ended 31st March 2016

Equal Opportunities & Disabled Persons (continued)

Equality Impact Assessment is our process of identifying how our policies and services impact on any of the equality groups. This is undertaken at the start of the policy development process to ensure our policies, services and public documentation are designed right first time for our customers, service users and employees. The term policy and service are used to cover any activity across the Group, this includes HR policies, budget setting, strategic planning, service provision and employment matters.

Health and Safety

The Health and Safety Committee continue to meet regularly to ensure that the organisation complies with the relevant Health and Safety legislation and will continue to improve Health and Safety measures throughout Hillcrest Housing Association.

Donations

The Group made aggregate donations of £3,060 in the year to 31st March 2016 to various organisations.

Treasury Management

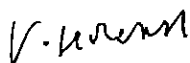
Hillcrest Housing Association Treasury function operates within a framework of clearly defined Committee of Management approved policies and procedures. These serve to control the use of financial instruments and the Committee receives regular reports on relevant treasury matters. The overall aim of the Treasury function is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised.

The investment activity undertaken by Hillcrest is prudent to try to maximise the returns on free funds.

Auditors

Findlay & Company, Chartered Accountants are auditors to the Association and are willing to be re-elected.

By Order of the Committee



V. Howard
Chairperson
19th July 2016

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2016

The Committee of Management present their strategic report for the year ended 31st March 2016.

Principal Activities

The principal activities of the Group are the provision of high quality rented accommodation at affordable rents for those in housing need and the provision of care and support services for those in need due to age, infirmity, disablement or handicap.

Hillcrest Housing Association has evolved a Group structure to deliver this range of services and activities. The key operating Companies within The Hillcrest Group are as follows;

Hillcrest Housing Association Limited (HHA) the ultimate Group parent company, sets the overall strategic direction and policy framework for the Group, provides administrative support services to other Group members and is the provider of social housing through which the majority of housing for rent and sale is developed and managed.

Gowrie Care (GC) is a company limited by guarantee with charitable status and a wholly controlled subsidiary of HHA. GC focuses on providing care and support to individuals with a variety of different needs

Hillcrest Maintenance Services Limited (HMS) is a company limited by guarantee and a wholly controlled subsidiary of HHA. HMS provides maintenance services to HHA as well as other companies within the Group and external organisations.

Northern Housing Company Limited (NHCL) is a company limited by guarantee with charitable status and a wholly controlled subsidiary of HHA. NHCL provides mid-market rental accommodation throughout Dundee, Perth and Edinburgh.

Hillcrest Enterprises Limited (HEL) is a company limited by guarantee and a wholly controlled subsidiary of HHA. HEL has a small property portfolio aimed at people with special support needs. The company also provides recruitment of permanent and temporary relief staff for the care sector and provides agency services to other 3rd party organisations.

Craigowl Communities (CC) is a company limited by guarantee with charitable status and a wholly controlled subsidiary of HHA. Craigowl aims to address disadvantage and enable people to reach their personal and career potential by providing learning and employment opportunities.

Explorer Heat Limited (EH) is a company limited by shares and wholly controlled by HHA. This company is dormant and set out to undertake the maintenance and servicing of the district heating system which is part of the Sailmaker development.

The Hillcrest Group Limited (HG) is a company limited by guarantee and wholly controlled by HHA. This company is dormant and was registered simply to capture the name.

Leith Links NHT 2011 LLP (LL) is a Limited Liability Partnership of which Hillcrest Housing Association is the controlling member. The company provides mid-market rented accommodation in Edinburgh and was set up under the National Housing Trust initiative.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2016

Vision and Strategic Objectives

The Hillcrest Group aims to remain a strong, effective Scottish organisation making an impact on increasing people's quality of life, contributing to sustainable communities and reducing social exclusion in our areas of operation.

Housing, care and social enterprise will remain our core activities but we will diversify and use our expertise to provide a wide range of products and services.

We will be seen as a learning organisation that invests in people both within the Group and in the wider community.

We will adapt to changing needs, expectations and opportunities and have a culture of continuous improvement and we will be efficient in procurement and the provision of services and provide value for money in all that we do.

Hillcrest will ensure that tenant's interests are considered fully at all times through engagement and consultation.

The Hillcrest Group of Companies Business Plan is designed to ensure that its strategy, products and services are delivered in accordance with its overall purpose and vision. As such, the Business Plan focuses on fulfilling the following strategic objectives;

- Provide good quality, well maintained housing at affordable rents
- Contribute to building sustainable communities
- Provide quality, creative, responsive care and support services.
- Contribute to social, economic and environmental activities.
- Ensure resources, skills and structure to meet objectives

3 Year Business Plan

Hillcrest Housing Association has prepared a detailed 3 year Business Plan to March 2019. The key aims and objectives of this plan are to capture the key short-term activities and targets for 2016-17 to reflect the overall strategic objectives and to build in, where appropriate, longer term objectives. The activities and targets are assigned to Directors and further delegated within departments where applicable.

Future Development and Initiatives

Hillcrest Housing Association is on site with a number of projects within Edinburgh, Perth & Kinross, Angus and in Dundee. This will increase the social rented stock by 188 and the properties available through mid-market rent by 171. A further 458 units are planned to be developed by 2019 including new developments in Monifieth, the Alexander Street and Derby Street site in Dundee and our first development in South Queensferry. Hillcrest secured a further revolving facility for £25 million in May 2015 which will allow the development programme to be delivered. Hillcrest are also continuing to actively pursue potential development opportunities in Aberdeen and the Aberdeenshire areas.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2016

Future Development and Initiatives (continued)

Hillcrest continually reviews and looks to improve performance and will launch a mobile working system for Housing Management and Housing Maintenance in the Summer of 2016. This will allow for real-time information to be recorded and input directly into the software application improving both the speed of the service and the information retained.

Hillcrest will focus on the new Energy Efficiency Standard for Social Housing and ensure that as a minimum meet this standard and where possible and financially viable exceed the standard.

Hillcrest undertook a tenant satisfaction survey in 2015/16 and whilst the results were very good, areas where improvements can be made will be explored further and an action plan put in place.

Hillcrest recognises how important it is to get tenants views and experiences of the services we provide. Hillcrest has agreed to be part of a pilot with TIS to undergo a robust process to assess how well Tenant Scrutiny is embedded in our strategic planning and performance management. We will be included in a panel which will assess the new accreditation and the process and give feedback on areas that TIS could develop.

Financial Review

Turnover

Increased by £1.8M, (6.1%) to £31.0M for the Association and increased by £3.1M, (7.1%) to £45.8M for the Group. Additional information on the breakdown of turnover is provided in the Notes 2 and 3 of the Financial Statements.

Turnover has continued to increase due to the current development programme. Rental income increased by 5% for the Association and will continue to increase as the development programme is rolled out. Void levels remain below 2%.

Overheads

Bad debts are an ongoing area of review and focus for the Association. Following the implementation of the enhanced tenancy sustainment team, bad debts have been maintained at less than 1% of turnover. This area of focus will continue as external factors such as universal credit and welfare reform will be anticipated to have an adverse effect on the levels of rent collection.

Balance Sheet

Treasury management is an area of ongoing review. Funds held in bank are reviewed for maximum return. During the financial year further loan funding of £4M was drawn down from the existing loan facility. At the financial year end £8.3 M was held in the bank by the Association.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2016

Principal risks and uncertainties

The Committee of Management monitor the overall risk profile of the Company. In addition, the Committee of Management is responsible for determining clear policies as to what the Company considers to be acceptable levels of risk. These policies seek to enable people throughout the Company to use their expertise to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels. Where the Committee of Management identify risks that are not acceptable, they develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

EESH standards

Risk

There is a risk that the Association will not comply with the EESH standards by 2020 deadline.

Mitigation

A modelling exercise is to be undertaken on all properties and an EESH plan to be drawn up with costings.

Provision of Pensions

Risk

The increasing costs of the Association having a defined benefit pension scheme and the repayment of the pension deficit could result long term in a financial commitment that could restrict the operational activities of the Association.

Mitigation

To mitigate the risk of future financial commitment relating to pension deficits for defined benefit schemes, the Association agreed to change to a defined contributions scheme with effect from 1 April 2014. A pension deficit repayment plan has been agreed with the pension provider, to ensure the Association will contribute towards the deficit at an affordable level and is included within the budgets.

CDM and other Health & Safety compliance

Risk

The Group is required to comply with CDM and other relevant health & safety legislations, failure to do so may have a financial and reputational impact on the organisation.

Mitigation

A CDM audit is to be undertaken and an action plan prepared to ensure future compliance including a new 'Control of External Contractors' procedure.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2016

Impact of reinstatement works at Gardner Street

Risk

A delay in the finalisation of the reinstatement works at Gardner Street following the landslide in December 2013 may result in financial losses and reputational damage to the Association.

Mitigation

The loss adjusters are fully involved in the process to limit the cost to the Association. Discussions continue to be on-going with Dundee City Council.

Sale of NHT properties

Risk

The NHT properties are scheduled to be sold in future years and there is the risk of financial loss to the Group should these properties fail to sell.

Mitigation

There is a marketing programme in place to ensure that it is promoted to tenants regularly that there is the opportunity to purchase the properties. A savings scheme will also be implemented to encourage tenants to take up this opportunity.

Maintenance of heating systems

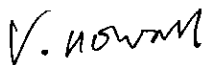
Risk

The maintenance and replacement costs of the heating system at Sailmaker are considerable and may lead to high service charges for owners should the properties there be purchased.

Mitigation

New pumps have been installed at the site, the effectiveness of which will continue to be monitored. A review of the heating system will be undertaken before the end of the defects period.

By Order of the Committee



V. Howard
Chairperson
19th July 2016

Hillcrest Housing Association Limited
Statement of Committee's Responsibilities
for the year ended 31st March 2016

Housing Association legislation requires the Committee to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Income and Expenditure of the Group for the year ended on that date. In preparing those Financial Statements the Committee is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and for maintaining a satisfactory system of control over the Group's accounting records and transactions. The Committee is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Committee of Management are aware, there is no relevant audit information (information needed by the Association's auditors, in connection with preparing the report) of which the Association's auditors are unaware.

The Committee of Management have taken all the steps that they ought to have taken to make themselves aware of that information.

Statement of Internal Financial Control

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

1. The reliability of financial information whether used within the Group or provided for external users;
2. The maintenance of proper accounting records; and
3. The safeguarding of assets against unauthorised use or disposition.

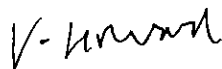
Such systems of internal financial control can only provide reasonable and not absolute assurance against material misstatement or loss.

Hillcrest Housing Association Limited
Statement of Committee's Responsibilities
for the year ended 31st March 2016 (continued)

Key procedures which the Committee has established and which are designed to provide effective financial control include the following:-

- (1) Formal policies and procedures are in place for the appointment of suitably qualified and experienced senior staff members and consultants. These policies and procedures also detail duties and levels of authority for Committee Members, staff and agents.
- (2) A system of budgetary control is implemented with investigation of variances and reporting to the Committee on a quarterly basis.
- (3) A strategic plan and medium-term projections have been prepared and approved by the Committee. These are reviewed annually.
- (4) The Committee reviews reports from Management Agents and from the auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (5) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedure at full Committee level.
- (6) The internal auditor undertakes a rolling programme of internal audit assignments. The independent professional internal auditor has direct access to the Audit Committee which receives the reports and agrees the appropriate action plan.

The Committee has reviewed the effectiveness of the system of internal financial controls in existence for the year ended 31st March 2016 and until 19th July 2016. No weaknesses were found in the 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.



V. Howard
Chairperson
19th July 2016

Hillcrest Housing Association Limited
Independent Auditors report to the members of
Hillcrest Housing Association Limited

We have audited the financial statements of Hillcrest Housing Association Limited for the year ended 31 March 2016 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Cash Flows, the Group and Association Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, the Scottish Housing Regulator's Determination of Accounting Requirements 2014 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the committee and the auditor

As explained more fully in the Statement of Committee's Responsibilities set out on pages 13 & 14, the committee 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 relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Scottish Regulator's Determination of Accounting Requirements 2012.

**Hillcrest Housing Association Limited
Independent Auditor's Report to the Members of
Hillcrest Housing Association Limited**

Opinion on other matters prescribed by the Companies Act 2016

In our opinion the information given in the Committee of Management's report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.



Joan Williamson, CA (Senior Statutory Auditor)
For and on behalf of Findlay & Company
Chartered Accountants and Statutory Auditor
11 Dudhope Terrace
Dundee
DD3 6TS

19th July 2016

Hillcrest Housing Association Limited
Report of the Auditors
To Hillcrest Housing Association Limited
on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed your statement on pages 13 and 14 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

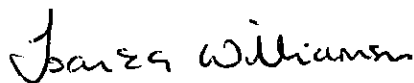
Basis of opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 13 and 14 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



Joan Williamson, CA (Senior Statutory Auditor)
For and on behalf of Findlay & Company
Chartered Accountants and Statutory Auditor
11 Dudhope Terrace
Dundee
DD3 6TS

19th July 2016

Hillcrest Housing Association Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st March 2016

	<u>Notes</u>	2016 £	Restated 2015 £
Turnover	2(a)	45,762,475	42,711,165
Operating expenditure	2(a)	(36,488,816)	(34,379,080)
Other income	4	-	3,979,503
Operating surplus/(deficit)	10	9,273,659	12,311,588
Gain/(loss) on disposal of tangible fixed assets	5	317,498	111,334
Finance income	6	79,732	157,611
Finance costs	7	(5,668,791)	(5,767,142)
Movement in fair value of financial instruments	23	277,339	(5,692,257)
Surplus/(deficit) before tax		£4,279,437	£1,121,134
Taxation	11	(36,920)	(23,318)
Surplus/(deficit) for the year		£4,242,517 =====	£1,097,816 =====
Actuarial (loss)/gain in respect of pension schemes	21	52,047	(1,175,689)
Total comprehensive income for the year		£4,294,564 =====	£(77,873) =====

All income and expenditure derive from continuing activities.

The notes on pages 27 to 71 form part of the Financial Statements

Hillcrest Housing Association Limited
Association Statement of Comprehensive Income
for the year ended 31st March 2016

	Notes	2016 £	Restated 2015 £
Turnover	2(a)	30,964,566	29,191,333
Operating expenditure	2(a)	(23,687,195)	(22,464,560)
Operating surplus/(deficit)	10	7,277,371	6,726,773
Gain/(loss) on disposal of tangible fixed assets	5	317,498	112,134
Finance income	6	180,909	188,694
Finance costs	7	(4,875,902)	(5,300,249)
Movement in fair value of financial instruments	23	277,339	(5,692,257)
Surplus/(deficit) before and after taxation		£3,177,215	£(3,964,905)
Actuarial (loss)/gain in respect of pension schemes	21	41,613	(979,626)
Total comprehensive income for the year		£3,218,828 =====	£(4,944,531) =====

All income and expenditure derive from continuing activities.

The notes on pages 27 to 71 form part of the Financial Statements

Hillcrest Housing Association Limited
Consolidated Statement of Financial Position as at 31st March 2016

	Notes	2016 £	Restated 2015 £
Fixed assets			
Tangible fixed assets	14/15	382,641,042	362,601,441
Investments	16	826,385	826,385
		383,467,427	363,427,826
Current assets			
Stock	17	22,059,591	22,108,499
Trade and other debtors	18	5,707,645	5,709,383
Cash and cash equivalents		15,885,803	21,737,537
		43,653,039	49,555,419
Less: Creditors: amounts falling due within one year	19	(14,825,064)	(15,326,083)
		28,827,975	34,229,336
Net current assets/liabilities		412,295,402	397,657,162
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	20	(343,326,903)	(332,396,825)
Provisions for liabilities			
- Pension provision	21	(14,442,495)	(15,474,906)
- Other provisions	21	(3,492,619)	(3,115,778)
		(361,262,017)	(350,987,509)
Total net assets		£51,033,385	£46,669,653
		£51,033,385	£46,669,653
Reserves			
Share capital		81	73
Income and expenditure reserve	24	50,803,771	46,521,087
Restricted reserve	24	160,371	148,491
Negative goodwill	24	69,160	-
Non-controlling interest	24	2	2
		£51,033,385	£46,669,653
Total reserves		£51,033,385	£46,669,653

The Financial statements on pages 18 to 71 were approved by the Committee of Management on 19th July 2016 and were signed on its behalf by:

Val Howard <i>V. Howard</i>	CHAIRPERSON
Alan Russell <i>Alan Russell</i>	COMMITTEE MEMBER
Fiona Morrison <i>Fiona Morrison</i>	SECRETARY

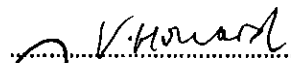
The notes on pages 27 to 71 form part of these financial statements

Hillcrest Housing Association Limited
Association Statement of Financial Position as at 31st March 2016

	<u>Notes</u>	2016 £	Restated 2015 £
Fixed Assets			
Tangible fixed assets	14/15	349,039,561	329,115,790
Investments	16	3,388,751	3,388,751
		-----	-----
		352,428,312	332,504,541
Current Assets			
Stock	17	46,315	111,239
Trade and other debtors	18	5,395,240	5,807,057
Cash and cash equivalents		8,317,533	14,554,122
		-----	-----
		13,759,088	20,472,418
Less: Creditors: amounts falling due within one year	19	(11,895,659)	(12,825,490)
		-----	-----
Net current Assets		1,863,429	7,646,928
Total Assets Less Current Liabilities		354,291,741	340,151,469
Creditors: amounts falling due after more than one year	20	(324,514,315)	(312,972,463)
Provisions for liabilities			
- Pension provision	21	(12,036,717)	(12,895,600)
- Other provisions	21	(2,549,373)	(2,310,906)
		-----	-----
		(339,100,405)	(328,178,969)
Total net assets		£15,191,336	£11,972,500
		=====	=====
Reserves			
Share capital		81	73
Income and expenditure reserve	24	15,191,255	11,972,427
		-----	-----
		£15,191,336	£11,972,500
		=====	=====

The Financial Statements on pages 18 to 71 were approved by the Committee of Management on 19th July 2016 and were signed on its behalf by:

Val Howard


.....

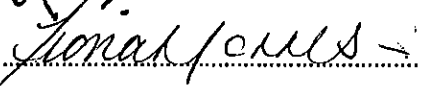
CHAIRPERSON

Alan Russell


.....

COMMITTEE MEMBER

Fiona Morrison


.....

SECRETARY

The notes on pages 27 to 71 form part of these financial statements

Hillcrest Housing Association Limited
Consolidated Statement of Changes in Reserves
for the year ended 31st March 2016

	Share Capital £	Income & Expenditure Reserve £	Designated Reserve £	Revaluation Reserve £	Non- Controlling Interest £	Negative goodwill £	Total £
At 1 April 2014 as previously stated	84	65,435,648	586,833	207,424	-	-	66,229,989
Changes on transition to FRS 102 (Note 34)	-	(18,714,919)	(560,111)	(207,424)	-	-	(19,482,454)
At 1 April 2014 as restated	84	46,720,729	26,722	-	-	-	46,747,535
Surplus/(deficit) for the year	-	1,097,816	-	-	-	-	1,097,816
Remeasurement gain/(loss) on defined benefit pension plan	-	(1,175,689)	-	-	-	-	(1,175,689)
Total comprehensive income	-	(77,873)	-	-	-	-	(77,873)
Share capital issued/cancelled	(11)	-	-	-	-	-	(11)
Business combination	-	-	-	-	2	-	2
Transfer to/(from) reserves	-	(121,769)	121,769	-	-	-	-
At 31 March 2015 and 1 April 2015	73	46,521,087	148,491	-	2	-	46,669,653
Surplus/(deficit) for the year	-	4,242,517	-	-	-	-	4,242,517
Remeasurement gain/(loss) on defined benefit pension plan	-	52,047	-	-	-	-	52,047
Total comprehensive income	-	4,294,564	-	-	-	-	4,294,564
Share capital issued/cancelled	8	-	-	-	-	-	8
Business combination	-	-	-	-	-	69,160	69,160
Transfer to/(from) reserves	-	(11,880)	11,880	-	-	-	-
At 31 March 2016	81	50,803,771	160,371	-	2	69,160	51,033,385

Hillcrest Housing Association Limited
Association Statement of Changes in Reserves
for the year ended 31st March 2016

	Share Capital £	Income & Expenditure Reserve £	Designated Reserve £	Revaluation Reserve £	Total £
At 1 April 2014 as previously stated	84	33,158,759	214,800	207,424	33,581,067
Changes on transition to FRS 102 (Note 34)	-	(16,241,801)	(214,800)	(207,424)	(16,664,025)
At 1 April 2014 as restated	84	16,916,958	-	-	16,917,042
Surplus/(deficit) for the year	-	(3,964,905)	-	-	(3,964,905)
Remeasurement gain/(loss) on defined benefit pension plan	-	(979,626)	-	-	(979,626)
Total comprehensive income	-	(4,944,531)	-	-	(4,944,531)
Share capital issued/cancelled	(11)	-	-	-	(11)
At 31 March 2015 and 1 April 2015	73	11,972,427	-	-	11,972,500
Surplus/(deficit) for the year	-	3,177,215	-	-	3,177,215
Remeasurement gain/(loss) on defined benefit pension plan	-	41,613	-	-	41,613
Total comprehensive income	-	3,218,828	-	-	3,218,828
Share capital issued/cancelled	8	-	-	-	8
At 31 March 2016	81	15,191,255	-	-	15,191,336

Hillcrest Housing Association Limited
Consolidated Statement of Cash Flows
for the year ended 31st March 2016

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	(Note i)	12,238,933	9,475,638
Cash flow from investing activities			
Purchase of tangible fixed assets		(27,310,333)	(17,550,127)
Purchase of investments		-	(2,562,365)
Proceeds from sale of tangible fixed assets		962,487	1,131,028
Grants received		10,805,199	8,176,284
Grants repaid		(340,817)	(61,394)
Interest receivable		125,016	113,621
		(15,758,448)	(10,752,953)
Cash flow from financing activities			
Issue of share capital		12	2
Interest payable		(5,666,718)	(5,573,606)
New secured loans		4,000,000	35,000,000
Repayment of borrowings		(713,587)	(27,820,543)
		(2,380,293)	1,605,853
Net change in cash and cash equivalents		(5,899,808)	328,538
Cash flow from increase in debt		(3,286,413)	(7,179,457)
Acquisitions and disposals		33,528	(14,830,759)
Cash and cash equivalents at 1st April 2015		(102,709,082)	(81,027,404)
Cash and cash equivalents at 31st March 2016		£(111,861,775)	£(102,709,082)

Hillcrest Housing Association Limited
Association Statement of Cash Flows
for the year ended 31st March 2016

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	(Note i)	9,829,124	8,247,869
		-----	-----
Cash flow from investing activities			
Purchase of tangible fixed assets		(26,752,773)	(17,194,178)
Purchase of investments		-	(2,562,366)
Proceeds from sale of tangible fixed assets		869,885	1,096,307
Grants received		10,805,199	8,173,284
Grants repaid		(340,817)	(61,394)
Interest receivable		226,193	146,774
		-----	-----
		(15,192,313)	(10,401,573)
		-----	-----
Cash flow from financing activities			
Issue of share capital		12	2
Interest payable		(4,873,412)	(5,108,020)
New secured loans		4,000,000	22,500,000
Repayment of borrowings		-	(15,000,000)
		-----	-----
		(873,400)	2,391,982
		-----	-----
Net change in cash and cash equivalents		(6,236,589)	238,278
Cash flow from increase in debt		(4,000,000)	(7,500,000)
		-----	-----
Cash and cash equivalents at 1st April 2015		(91,686,196)	(84,424,474)
		-----	-----
Cash and cash equivalents at 31st March 2016		£(101,922,785)	£(91,686,196)
		=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Association Statement of Cash Flows
for the year ended 31st March 2016

Consolidated
Note i

	2016	Restated
	£	2015
		£
Cash flow from operating activities		
Surplus for year	9,883,621	1,552,155
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,779,587	3,612,146
Decrease/(increase) in stock	60,908	36,140
Decrease/(increase) in trade and other debtors	(140,053)	197,525
Increase/(decrease) in trade and other creditors	(1,090,959)	(1,654,361)
Increase/(decrease) in provisions	376,841	350,797
Shares cancelled	(4)	(13)
Release of goodwill	(7,685)	-
Decrease / (increase) in loan fair value	(28,486)	(199,674)
Increase (decrease) in financial instruments	(277,339)	5,692,257
Carrying amount of tangible fixed assets disposals	(317,498)	(111,334)
	-----	-----
	12,238,933	9,475,638
	=====	=====

Association
Note i

	2016	Restated
	£	2015
		£
Cash flow from operating activities		
Surplus for the year	7,913,817	167,021
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,366,945	3,226,674
Decrease/(increase) in stock	70,883	91,941
Decrease/(Increase) in trade and other debtors	145,435	217,921
Increase/(decrease) in trade and other creditors	(1,283,096)	(1,062,083)
Increase/(decrease) in provisions	238,467	225,959
Shares cancelled	(4)	(13)
Decrease / (increase) in loan fair value	(28,486)	(199,674)
Increase (decrease) in financial instruments	(277,339)	5,692,257
Gain on disposal of tangible fixed assets	(317,498)	(112,134)
	-----	-----
Net cash generated from operating activities	9,829,124	8,247,869
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (a) Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)* and the Statement of Recommended Practice for Registered Social Landlords 2014 (SORP 2014) and comply with the Registered Social Landlords Determination of Accounting Requirements 2014.

For consolidation, the charitable subsidiaries have been prepared in accordance with applicable accounting standards, the Companies Act 2006 and the Charities Accounts (Scotland) Regulations. They also follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities and Statement of Recommended Practice: Accounting by Limited Liability Partnerships. Other subsidiaries have been prepared in accordance with Financial Reporting Standard 102.

The financial statements for the year ended 31 March 2016 are the first financial statements that comply with FRS 102. The date of transition is 1 April 2014. An explanation of how transition to the SORP has affected the reported financial position and performance is given in Note 34.

A summary of the more important accounting policies which have been applied consistently is set out below.

(b) Basis of Accounting

Hillcrest Housing Association Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes(s).

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

(c) Basis of Consolidation

The Group accounts consolidate the accounts of Hillcrest Housing Association Limited and its subsidiary companies. Profits or losses on intra-group transactions are eliminated in full and all inter company debts are eliminated in full.

(d) Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants from the government (local authorities) and other sources.

The disposal proceeds from the first tranche of shared ownership properties are included in turnover at the point to legal completion. The second and subsequent tranches are accounting for in administrative expenditure/operating income in the period in which the disposal occurs being the difference between the net sale proceeds and the net carrying value.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (d) Turnover and other income (continued)

(i) Rendering of services

When the outcome of a transaction can be measure reliably, turnover is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the period of the contract.

Where the outcome cannot be measure reliably, turnover is recognised only to the extent of the expenses that are recoverable.

(ii) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs and turnover are recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the period of the contact.

Where the outcome cannot be measure reliably, contract costs are recognised as an expense in the period in which they are incurred and contract turnover is recognised to the extent of costs incurred that it is probable will be recoverable.

When it is probable that contract costs will exceed the total contact turnover, the expected loss is recognised as an expense immediately, with a corresponding provision.

(iii) Interest and dividends receivable

Interest income is recognised using the effective interest method and dividend is recognised as the Association's right to receive payment is established.

(e) Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards a capital cost, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions such grants are held as deferred income on the Statement of Financial Position. The above change in accounting policy has required a prior year adjustment to be made to financial year ended 31 March 2015 (see Note 34).

(f) Tangible Fixed Assets - Housing Properties

(i) Housing Properties

Housing properties including developments in progress, with the exception of mid-market properties which are held at valuation, are stated at cost less aggregate depreciation. Mid-market properties are stated at a subject to tenancy market value, and a formal valuation undertaken a minimum once every 5 years. The Statement of Comprehensive Income includes the net gains and losses arising on revaluation and disposals throughout the period.

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

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (f) Tangible Fixed Assets - Housing Properties (continued)

(ii) Depreciation

For most categories of housing property, there is a commitment to a long-term programme of planned maintenance. This commitment has been made in the belief that the expected useful economic life of these properties will be substantially extended as a result. The amount of depreciation required to write off the cost of the buildings to their estimated residual values is therefore considered to be as follows:-

New build properties	– 90 years straight line
Tenement properties	– 100 years straight line

Where properties are deemed to be less structurally sound or are unpopular with potential tenants due to age, condition or type, they are subject to a less rigorous planned maintenance programme. Depreciation is provided on this category of property in order to write off the cost to their residual value over their expected useful economic life as follows:

“Difficult to let” properties	-	20 years straight line
-------------------------------	---	------------------------

Housing properties are split between land, structure and major components which require periodic replacement. Where major components are replaced, they are capitalised, depreciated over their estimated useful life and the previously capitalised component disposed of. Any gain or loss on the disposal of the individual components of a property will be reflected through the depreciation charge for the year.

Each major property component is treated as separate asset and depreciated over its expected useful economic life on a straight line basis at the following annual rates:

Structure	- 20, 90 or 100 years as noted above
Kitchens	- 15 years
Bathrooms	- 30 years
Rewiring	- 45 years
Windows	- 30 or 50 years
Heating systems	- 20 years
Gas boilers	- 15 years

Land is not depreciated.

(iii) Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is at the scheme of properties (e.g. the cash generating unit (CGU)).

The following key judgement has been made in defining the CGU's for housing properties (including shared ownership properties): where schemes have been developed together and are managed together, they are deemed to be a single CGU.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (f) Tangible Fixed Assets - Housing Properties (continued)

(iii) Impairment

The key indicators considered in reviewing impairment are: changes in demand, changes in use, economic performance worse than expected, significant decline in market value, reduction in market value were intend to sell, plans to regenerate, demolish or replace existing components, on completion of new developments were costs are higher than anticipated, and other changes in technology, market, economy and legislation.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the Statement of Comprehensive Income.

(iv) Works to Existing Housing Properties

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that are of such a substantial nature that they will increase the expected useful life of the properties, are capitalised as improvements. The cost of all other works to existing housing properties is written off to the Statement of Comprehensive Income in the year in which it is incurred.

(v) Capitalisation of Development Overheads

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties costs. Directly attributable costs include direct labour costs of the Association and the incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development overheads are written off to the Statement of Comprehensive Income. Overheads are not capitalised on component replacements.

(vi) Development Interest

Interest on borrowings specifically financing a development programme is capitalised to the extent that it accrues in respect of the period during which development activities are in progress. All other interest is written off to the Statement of Comprehensive Income in the period in which it accrues.

(vii) Sales of Housing Properties

The surplus or deficit is accounted for in the period the disposal occurs and represents the difference between the net sale proceeds and the net carrying value. The surplus/deficit amount arising from the sale of housing properties is disclosed separately in the Statement of Comprehensive Income.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (f) Tangible Fixed Assets - Housing Properties (continued)

(viii) Shared Ownership

In accordance with the SORP 2014, shared ownership properties are reflected within Fixed Assets. Proceeds from first tranche disposals are allocated to Turnover. Costs relating to expected first tranche sales are reflected in current assets and released to the Statement of Comprehensive Income on sale.

The surplus or deficit on the disposal of second and subsequent tranches of shared ownership properties are accounted for in the Statement of Comprehensive Income within the Gain/ (loss) on sale of Tangible Fixed Assets.

(g) Tangible Fixed Assets – Other Fixed Assets

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost less residual value of such assets over their expected useful life as follows:-

Commercial properties – modernised	-	20 to 30 years straight line
Commercial properties – new build	-	20 to 50 years straight line
Office premises	-	50 years straight line
Tenant's improvements	-	3 or 10 years straight line
Housing furniture & fittings	-	20% reducing balance
Office furniture & fittings	-	3 to 20 years straight line
	-	20% reducing balance
Computer Equipment	-	3 or 5 years straight line
Computer Software	-	10 years straight line
Motor Vehicles	-	4 years straight line

(h) Investments

(i) Investments – Subsidiaries

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through the Statement of Comprehensive Income if shares are publically traded or if their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

(ii) Investments - Homestake

During the financial year ending 31 March 2008, Grants were received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs during the construction of the properties and up to the point of sale are reflected as work in progress within the Current Assets and the grants in Other Creditors. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the Statement of Comprehensive Income within Other Income and Other Operating Expenditure respectively.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (h) Investments (continued)

(ii) Investments - Homestake

The Association upon sale of the Homestake Properties retains an equity stake of the property. As full title of the property passes to the Homestake owner upon sale, the equity stake is accounted for as a Fixed Asset Investment on the historical cost basis reflecting receipts potentially receivable from sales of subsequent residual stakes. The cost is offset by a grant of the same amount, included as a liability within deferred income, reflecting monies repayable by the Association to the Scottish Ministers on sale of subsequent residual stakes.

For all sales made from 1 April 2008, the Scottish Ministers upon sale of the Homestake retains an equity stake of the property and therefore no disclosure of investments will be required. Closing stock is valued at lower than cost and net realisable value. Net realisable values are based on the market values on the completed schemes as at the financial year end.

(i) Stock

Stock and work in progress is valued at the lower of cost and net realisable value.

(j) Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at present value.

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

HAG is received from central government and local authorities and is utilised to subsidise the costs of housing property.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income in the Statement of Comprehensive Income within Turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

(l) Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

(m) Cash at bank

Cash at bank and in hand includes cash that is instantly accessible. Cash can also be invested into short term deposits with a minimum maturity date of 30 days to a maximum of 1 year.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (n) Derivatives

Derivative financial instruments are initially measured at fair value at the date on which a derivative contract is entered into and are subsequently measured at fair value through the Statement of Comprehensive Income. The Association uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The fair value of derivatives is determined by their mark to market valuation at each reporting date.

(o) Employee benefits

All staff is entitled to access a company health insurance policy. This policy enables staff to access funding to reimburse them for certain expenses incurred, together with getting access to various support mechanisms for example, counselling.

In line with FRS 102 accounting requirements, any unused holidays accrued to 31 March 2016 are accounted for as an expense within the Statement of Comprehensive Income and respective creditor included within Note 19.

The Association and other Group companies operate a defined contribution Pension Scheme, the cost of which is written off on an accruals basis with contributions recognised in the Statement of Comprehensive Income when payable.

Pre-April 2014 the Association and Gowrie Care operated a defined benefit scheme, the assets of this Scheme are held separately from those of the companies in an independently administered fund (see Note 25). Where the scheme is in deficit and the company has agreed to a deficit funding arrangement the company 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.

(p) Other provisions

The Association only provides for contractual liabilities that exist at the balance sheet date.

(q) Restricted reserve

Restricted reserves are those reserves which are subject to external restrictions governing their use.

(r) Taxation

The Association has charitable status which affects its liability to tax. Activities of the Group falling outwith the scope of charitable purposes are conducted by Hillcrest Enterprises Limited and Hillcrest Maintenance Services Limited, subsidiary companies that do not have charitable status. Northern Housing Company Limited does have charitable status however its trading activities are deemed to be taxable and are subject to corporation tax.

Gift Aid has been in existence in previous years, whereby taxable profits of the subsidiary company are covenanted to the Charitable Association thus reducing the charge to Corporation Tax. In 2015/16 Hillcrest Maintenance Services Limited will gift aid £16,170 (2015 - £169,010) and Hillcrest Enterprises Limited £nil (2015 - £45,000) to Hillcrest Housing Association Limited. This amount has been provided for.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(1) (r) Taxation (continued)

For non-charitable companies, the charge for taxation is based on the results for the period and takes into account the taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(s) Service Equalisation

Surpluses of service revenue over service costs have been equalised in the Statement of Comprehensive Income and have been set aside as a debtor or creditor for expected future increases in service costs.

(t) Financial instruments

Loans provided to subsidiaries are classed as basic under the requirements of FRS 102 and are measured at amortised cost. In the case of payment arrangements that exist with tenants and owners, these are deemed to constitute financing transactions and under FRS 102 should be measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments. Due to the immaterial nature of these transactions they have instead been included at amortised cost.

(u) Goodwill

Goodwill arising from the merger on 1 April 2015 of Hillcrest Maintenance Services Limited and Clean Close Company Limited is written off to the Statement of Comprehensive Income over a period of ten years. The company continues to benefit from contracts secured under the name of Clean Close Company Limited and it is anticipated future works will also result during this time.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

2 (a) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Turnover	Operating Costs	2016 Operating Surplus	Restated 2015 Operating Surplus
	£	£	£	£
Affordable letting activities (note 2b)	31,233,225	15,640,892	15,592,333	13,260,200
Other activities (note 3)	14,529,250	20,847,924	(6,318,674)	(4,928,115)
Other income (note 4)	-	-	-	3,979,503
	-----	-----	-----	-----
2016 - Total	£45,762,475	£36,488,816	£9,273,659	£12,311,588
	=====	=====	=====	=====
2015 - Total (Restated)	£46,690,668	£34,379,080		
	=====	=====		

2 (a) Association Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Turnover	Operating Costs	2016 Operating Surplus	Restated 2015 Operating Surplus
	£	£	£	£
Affordable letting activities (note 2b)	27,592,808	20,175,218	7,417,590	7,029,814
Other activities (note 3)	3,371,758	3,511,977	(140,219)	(303,041)
	-----	-----	-----	-----
2016 - Total	£30,964,566	£23,687,195	£7,277,371	£6,726,773
	=====	=====	=====	=====
2015 – Total (Restated)	£29,191,333	£22,464,560		
	=====	=====		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

	General Housing Needs	Supported Housing Accom.	Shared Ownership	Held for Lease	Mid-market	2016 Total	Restated 2015 Total
	£	£	£	£	£	£	£
2 (b) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities							
Income from lettings							
Rent receivable net of service charges	20,002,435	14,321	582,711	950,470	4,699,170	26,249,107	24,148,088
Service charges	2,713,594	13,269	29,763	91,719	-	2,848,345	2,539,763
Gross income from rents and service charges	22,716,029	27,590	612,474	1,042,189	4,699,170	29,097,452	26,687,851
Less voids	(352,703)	-	(1,765)	(3,467)	(103,414)	(461,349)	(453,064)
Net income from rents and service charges	22,363,326	27,590	610,709	1,038,722	4,595,756	28,636,103	26,234,787
Grants released from deferred income	2,138,912	-	97,109	119,255	-	2,355,276	2,306,894
Revenue grants from the Scottish Ministers	142,927	-	-	-	-	142,927	175,195
Other revenue grants	98,919	-	-	-	-	98,919	-
Total turnover	24,744,084	27,590	707,818	1,157,977	4,595,756	31,233,225	28,716,876
Expenditure on lettings							
Management & maintenance administration costs	5,483,229	41,781	131,385	322,293	167,463	6,146,151	6,000,574
Service costs	1,739,485	7,496	29,763	132,316	172,704	2,081,764	2,200,297
Reactive & void maintenance costs	395,843	-	3,989	97,688	76,174	573,694	888,145
Planned, cyclical & major repairs costs	682,466	2,860	-	208,780	76,523	970,629	776,474
Bad debts – rents and service charges	178,231	-	-	773	63,835	242,839	181,522
Depreciation of affordable let properties	4,655,227	-	144,718	540,250	285,620	5,625,815	5,409,664
Operating costs	13,134,481	52,137	309,855	1,302,100	842,319	15,640,892	15,456,676
Operating surplus / (deficit) 2016	£11,609,603	£(24,547)	£397,963	£(144,123)	£3,753,437	£15,592,333	£13,260,200
Operating surplus / (deficit) 2015 Restated	£10,576,421	£(31,481)	£276,731	£(230,539)	£2,669,068		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

2 (b) Association Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities	General Needs Housing	Supported Housing Accom.	Shared Ownership	Held for Lease	Mid-Market	2016 Total	Restated 2015 Total
	£	£	£	£	£	£	£
Income from lettings							
Rent receivable net of service charges	20,002,435	128,611	582,711	1,815,589	-	22,529,346	21,456,410
Service charges	2,713,594	13,269	29,763	79,922	-	2,836,548	2,529,361
Gross income from rents and service charges	22,716,029	141,880	612,474	1,895,511	-	25,365,894	23,985,771
LESS: Rent losses from voids	(352,703)	-	(1,765)	-	-	(354,468)	(294,093)
Net income from rents and service charges	22,363,326	141,880	610,709	1,895,511	-	25,011,426	23,691,678
Grants released from deferred income	2,138,914	-	97,109	103,513	-	2,339,536	2,286,644
Revenue grants from Scottish Ministers	142,927	-	-	-	-	142,927	175,195
Other revenue grants	98,919	-	-	-	-	98,919	-
Total turnover	24,744,086	141,880	707,818	1,999,024	-	27,592,808	26,153,517
Expenditure on lettings							
Management & maintenance administration costs	5,553,800	41,781	131,385	310,359	-	6,037,325	5,946,216
Service costs	2,705,265	13,016	29,763	125,663	-	2,873,707	2,542,915
Reactive & Void maintenance costs	3,299,485	-	3,989	84,725	-	3,388,199	3,171,761
Planned, cyclical & major repairs costs	2,258,026	2,860	-	149,751	-	2,410,637	2,188,993
Bad debts – rents and service charges	178,231	-	-	-	-	178,231	139,447
Depreciation of affordable let properties	4,655,227	-	144,718	487,174	-	5,287,119	5,134,371
Operating costs	18,650,034	57,657	309,855	1,157,672	-	20,175,218	19,123,703
Operating surplus / (deficit) 2016	£6,094,052	£84,223	£397,963	£841,352	£ -	£7,417,590	£7,029,814
Operating surplus / (deficit) 2015 Restated	£6,166,228	£79,695	£276,731	£507,160	£ -	£7,029,814	£7,029,814

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(3) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Bad Debts	Other Operating Costs	Operating Surplus/ (deficit) 2016	Restated Operating Surplus/ (deficit) 2015
	£	£	£	£	£	£	£	£	£
Wider role	-	742	-	-	742	-	-	742	(737)
Care and repair	-	108,802	-	-	108,802	-	112,505	(3,703)	(25,466)
Factoring	-	-	-	87,013	87,013	(549)	72,013	15,549	(2,211)
Uncapitalised development administration costs	334,734	-	-	42,744	377,478	-	531,227	(153,749)	(25,493)
Support activities	-	-	226,561	378,728	605,289	-	605,409	(120)	(14,183)
Care activities	-	3,005,632	7,552,750	249,133	10,807,515	-	10,388,818	418,697	783,008
Contracted out services undertaken for other organisations	-	-	-	21,464	21,464	1,087	101,253	(80,876)	52,191
Homestake	-	-	-	-	-	-	-	-	630
Shared ownership 1 st tranche	-	-	-	-	-	-	-	-	(91)
Commercials	-	-	-	497,584	497,584	349	143,553	353,682	352,017
Central charges	-	-	-	-	-	-	1,339,218	(1,339,218)	(1,135,343)
Other activities	-	627,990	-	1,395,373	2,023,363	-	7,553,041	(5,529,678)	(4,912,437)
2016 Total	£334,734	£3,743,166	£7,779,311	£2,672,039	£14,529,250	£887	£20,847,037	(£6,318,674)	£(4,928,115)
2015 Total Restated	£343,600	£3,552,753	£7,553,959	£2,543,977	£13,994,289	£(20,093)	£18,942,497	£(1,135,343)	£(4,928,115)

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31st March 2016

(3) Association particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers	Other Revenue /Grants	Supporting People Income	Other Income	Total Turnover	Bad Debts	Other Operating Costs	Operating Surplus/ (deficit) 2016	Restated Operating Surplus/ (deficit) 2015
	£	£	£	£	£	£	£	£	£
Wider role	-	742	-	-	742	-	-	742	(737)
Care and repair	-	108,802	-	-	108,802	-	112,505	(3,703)	(25,466)
Factoring	-	-	-	87,013	87,013	(549)	72,013	15,549	(2,211)
Uncapitalised development administration costs	334,734	-	-	-	334,734	-	534,335	(199,601)	(124,036)
Support activities	-	-	226,561	378,728	605,289	-	605,409	(120)	(16,725)
Homestake	-	-	-	-	-	-	-	-	630
Shared ownership 1 st tranche	-	-	-	-	-	-	-	-	(91)
Commercials	-	-	-	478,605	478,605	349	131,583	346,673	334,213
Central charges	-	-	-	1,339,218	1,339,218	-	1,339,218	-	-
Other activities	-	-	-	417,355	417,355	-	717,114	(299,759)	(468,618)
2016 Total	£334,734	£109,544	£226,561	£2,700,919	£3,371,758	£(200)	£3,512,177	£(140,219)	£(303,041)
2015 Total Restated	£343,600	£109,633	£229,433	£2,355,150	£3,037,816	£(20,093)	£3,360,950		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(4) Other Income

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
Leith Links NHT 2011 LLP:			-	-
Fair value of net assets acquired		5,452,869	-	-
Consideration	-	(1,473,366)	-	-
	-----	-----	-----	-----
Gain on business combination	£ -	£3,979,503	£ -	£ -
	=====	=====	=====	=====
Total other income	£ -	£3,979,503	£ -	£ -
	=====	=====	=====	=====

Hillcrest Housing Association Limited became a member of Leith Links NHT 2011 LLP on 14th November 2014. In accordance with SORP 2014, the gain arising on acquisition is recognised within the Statement of Comprehensive Income.

(5) Consolidated and Association Gain/(loss) on disposal of Tangible Fixed Assets

	Proceeds from sales	Cost of Sales	2016 Profit / (Loss) on Sales	Proceeds from sales	Restated 2015 Profit / (Loss) on Sales
	£	£	£	£	£
Association					
Housing Association – Right to purchase	93,500	55,234	38,266	155,700	65,228
One off Sales	207,000	110,994	96,006	-	6,206
Shared Ownership	533,875	351,699	182,176	193,000	49,786
Sale of Investment	-	-	-	756,693	(9,086)
Sale of other fixed assets	1,050	-	1,050	-	-
	-----	-----	-----	-----	-----
	835,425	517,927	317,498	1,105,393	112,134
	=====	=====	=====	=====	=====
Consolidated					
Sale of other fixed assets	-	-	-	-	(800)
	-----	-----	-----	-----	-----
	£835,425	£517,927	£317,498	£1,105,393	£111,334
	=====	=====	=====	=====	=====

(6) Finance Income

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
Interest receivable	79,732	153,781	180,909	184,864
Dividends	-	3,830	-	3,830
	-----	-----	-----	-----
	£79,732	£157,611	£180,909	£188,694
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(7) Finance Costs

	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Interest payable	5,340,948	5,246,854	4,607,526	4,869,117
Other financing costs – income	(33,548)	(26,514)	(33,547)	(26,514)
Other financing costs – cost	5,062	11,612	5,062	11,612
Pension interest expense	356,329	535,190	296,861	446,034
	-----	-----	-----	-----
	£5,668,791	£5,767,142	£4,875,902	£5,300,249
	=====	=====	=====	=====

Other financing costs include the amortisation of transaction costs on funding arrangements.

(8) Key Management Personnel Emoluments

Under the Registered Social Landlords Determination of Accounting Requirements 2014, disclosure of key management personnel's emoluments exceeding £60,000 is disclosed below.

	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
The emoluments payable to key management personnel and former key management personnel amount to:-				
Emoluments excluding employers pension	533,204	261,464	450,536	178,800
Employers pension contributions	32,986	15,284	32,986	15,284
	-----	-----	-----	-----
Total emoluments payable	566,190	276,748	483,522	194,084
	=====	=====	=====	=====
The emoluments payable to, or received by, the Group Chief Executive amount to:-				
Emoluments excluding employers pension	105,976	94,980	105,976	94,980
Employers pension contributions	8,963	8,112	8,963	8,112
	-----	-----	-----	-----
Total emoluments payable	114,939	103,092	114,939	103,092
	=====	=====	=====	=====

The emolument of the key management personnel and former key management personnel (excluding pension contributions) were within the following ranges:-

£60,001 - £70,000	3	-	3	-
£70,001 - £80,000	1	-	1	-
£80,001 - £90,000	1	2	-	1
£90,001 - £100,000	1	1	1	1
£100,001 - £110,000	1	-	1	-
£110,001 - £120,000	-	-	-	-

No emoluments were paid to any member of the Committee of Management

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(9) Employee Information

The average number of persons employed during the year was:-

	Consolidated		Association	
	2016	2015	2016	2015
Office Staff	166	152	138	123
Wardens, Caretakers & Cleaners	42	42	42	42
Support Staff	612	620	-	-
Maintenance	157	131	14	21
	-----	-----	-----	-----
	977	945	194	186
	===	===	===	===
The average number of full time equivalent	769	669	173	165
	===	===	===	===

Staff Costs (including Key Management Personnel Emoluments):

	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Wages and Salaries	18,128,004	16,829,926	5,091,884	4,919,753
Social Security Costs	1,487,004	1,392,226	508,939	464,490
Pension Costs	481,842	481,472	290,684	274,984
	-----	-----	-----	-----
	£20,096,850	£18,703,624	£5,891,507	£5,659,227
	=====	=====	=====	=====

(10) Operating Surplus

Operating surplus is stated after charging:	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Depreciation – Housing property	5,438,704	5,246,285	5,192,613	5,005,713
Depreciation – Disposals	187,111	163,379	94,506	128,658
Depreciation – Other fixed assets	718,139	609,922	530,152	525,772
Amortisation of grant	2,377,257	2,325,060	2,355,820	2,304,810
Operating lease – plant & Machinery	24,008	17,785	-	-
- other	198,422	229,254	198,422	229,254
- motor vehicles	2,110	-	2,110	-
External auditor's remuneration for all group companies (including VAT):-				
- In their capacity as auditors	47,875	44,053	18,054	18,220
- In respect of other services	5,790	2,760	5,040	2,760

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(11) Tax on Profit On Ordinary Activities – Consolidated

	2016	2015
	£	£
Corporation tax at 20% (2015 – 20%/20.38%)	20,654	17,540
Under-provision	6,875	-
Deferred tax	9,391	5,778
	-----	-----
	£36,920	£23,318
	=====	=====

(12) Service Charge Equalisation Account

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
Balance at beginning of Year	(260,420)	(215,263)	(260,420)	(215,263)
Transfer of Property Revenue to Account	(140,640)	(45,157)	(140,640)	(45,157)
	-----	-----	-----	-----
Balance at End of Year	(401,060)	(260,420)	(401,060)	(260,420)
	=====	=====	=====	=====
Being:- Debtor Balance (see Note 18)	(903,019)	(712,903)	(903,019)	(712,903)
Creditors Balance (see Note 19)	501,959	452,483	501,959	452,483
	-----	-----	-----	-----
Balance at End of Year	£(401,060)	£(260,420)	£(401,060)	£(260,420)
	=====	=====	=====	=====

(13) Housing Stock Analysis

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
General Housing Needs	5,845	5,761	5,807	5,723
Supported Housing Accommodation	200	192	196	188
Shared Ownership	242	249	242	249
Mid-Market	574	574	-	-
	-----	-----	-----	-----
	6,861	6,776	6,245	6,160
	-----	-----	-----	-----
Other Units				
Factored	533	494	478	494
Feu Superior for Landscaping	888	864	888	864
	-----	-----	-----	-----
	1,421	1,358	1,366	1,358
	-----	-----	-----	-----
Total Units	8,282	8,134	7,611	7,518
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2016

(14) Consolidated Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting	Housing Properties Under Construction	Shared Ownership Held for Letting	Shared Ownership Construction	Held for Letting Supported	Held for Letting For Lease	Held for Lease under Construction	Mid-Market Held for Letting	Restated Total
	£	£	£	£	£	£	£	£	£
Cost or valuation									
At 1 st April 2015 (Restated)	314,616,358	14,038,551	15,734,550	-	1,798,146	31,038,509	7,206,652	32,622,672	417,055,438
Schemes completed	5,196,575	(5,196,575)	-	-	-	5,561,561	(5,561,561)	-	-
Transfer to current assets	(53,497)	-	-	-	-	-	-	-	(53,497)
Additions	1,791,132	14,237,727	1,898	-	7,649	132,294	9,543,533	329,256	26,043,489
Disposals	(1,013,164)	-	(361,109)	-	(3,333)	(61,730)	-	(141,614)	(1,580,950)
At 31st March 2016	320,537,404	23,079,703	15,375,339	-	1,802,462	36,670,634	11,188,624	32,810,314	441,464,480
Depreciation									
At 1 st April 2015 (Restated)	60,072,976	-	1,266,817	-	253,255	1,746,299	-	3,513,823	66,853,170
Transfer to current assets	(7,181)	-	-	-	-	-	-	-	(7,181)
Charge for the year	4,614,917	-	144,718	-	22,092	462,507	-	194,470	5,438,704
Disposals	(813,432)	-	(31,668)	-	(3,333)	(37,063)	-	(50,465)	(935,961)
At 31st March 2016	63,867,280	-	1,379,867	-	272,014	2,171,743	-	3,657,828	71,348,732
Net Book Value At 31st March 2016	£256,670,124	£23,079,703	£13,995,472	£ -	£1,530,448	£34,498,891	£11,188,624	£29,152,486	£370,115,748
Net Book Value At 31st March 2015 Restated	£254,543,382	£14,038,551	£14,467,733	£ -	£1,544,891	£29,292,210	£7,206,652	£29,108,849	£350,202,268

Total expenditure on works to existing properties amounted to £3,806,552, for which no Social Housing Grants were received during the year. Of this, £2,186,252 was capitalised for the replacement of components, £75,977 capitalised for improvements and £1,544,323 charged to the Statement of Comprehensive Income in the year. During the year £314,230 of development administration costs and interest of £152,229 were capitalised.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2016

(14) Association Tangible Fixed Assets – Housing Properties

	Housing Properties Held for letting	Housing Properties Under construction	Shared Ownership Held for letting	Shared Ownership Construction	Held for Letting Supported	Held for Letting for lease	Held for Lease under construction	Mid-market held for letting	Restated Total
	£	£	£	£	£	£	£	£	£
Cost									
At 1 st April 2015 (Restated)	312,570,847	14,038,551	15,734,550	-	-	31,038,511	7,206,652	-	380,589,111
Schemes completed	5,196,575	(5,196,575)	-	-	-	5,561,561	(5,561,561)	-	-
Transfer to current assets	(53,497)	-	-	-	-	-	-	-	(53,497)
Additions	1,787,797	14,237,727	1,898	-	-	132,294	9,543,533	-	25,703,249
Disposals	(1,010,438)	-	(361,109)	-	-	(61,730)	-	-	(1,433,277)
At 31st March 2016	318,491,284	23,079,703	15,375,339	-	-	36,670,636	11,188,624	-	404,805,586
Depreciation									
At 1 st April 2015 (Restated)	59,743,398	-	1,266,817	-	-	1,746,299	-	-	62,756,514
Transfer to current assets	(7,181)	-	-	-	-	-	-	-	(7,181)
Charge for the year	4,585,388	-	144,718	-	-	462,507	-	-	5,192,613
Disposals	(812,159)	-	(31,668)	-	-	(37,063)	-	-	(880,890)
At 31st March 2016	63,509,446	-	1,379,867	-	-	2,171,743	-	-	67,061,056
Net Book Value at 31st March 2016	£254,981,838	£23,079,703	£13,995,472	£-	£-	£34,498,893	£11,188,624	£-	£337,744,530
Net Book Value at 31st March 2015 (Restated)	£252,827,449	£14,038,551	£14,467,733	£-	£-	£29,292,212	£7,206,652	£-	£317,832,597

Total expenditure on works to existing properties amounted to £7,720,825, for which no Social Housing Grants were received during the year. Of this, £1,881,012 was capitalised for the replacement of components, £40,977 capitalised for improvements and £5,798,836 charged to the statement of comprehensive income in the year. During the year £314,230 of development administration costs and interest of £152,229 were capitalised.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2016

(15) Consolidated Tangible Fixed Assets - Other Fixed Assets

Cost or valuation	Commercial Property		Office Property		Housing Furniture Equipment		Supported Furniture Equipment		Office Furniture Equipment		Motor Vehicles		Plant and Machinery		Total		
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
At 1 st April 2015	4,112,436	9,076,763	432,711	432,711	52,658	2,968,960	874,897	88,237	17,606,662	17,606,662	17,606,662	17,606,662	17,606,662	17,606,662	17,606,662	17,273,549	
Additions in Year	113,428	89,193	-	-	-	338,572	205,749	12,368	759,310	759,310	759,310	759,310	759,310	759,310	759,310	337,227	
Transfer of engagements	-	61,520	-	-	-	1,382	20,774	1,274	84,950	84,950	84,950	84,950	84,950	84,950	84,950	-	
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposal	-	-	-	-	-	-	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(4,114)	
At 31st March 2016	4,225,864	9,227,476	432,711	432,711	52,658	3,308,914	1,034,823	101,879	18,384,325	18,384,325	18,384,325	18,384,325	18,384,325	18,384,325	18,384,325	17,606,662	
Depreciation																	
At 1 st April 2015	824,612	1,190,940	320,788	320,788	46,542	2,137,006	631,365	56,236	5,207,489	5,207,489	5,207,489	5,207,489	5,207,489	5,207,489	5,207,489	4,519,881	
Charge for Year	57,124	190,078	23,788	23,788	1,530	285,417	146,758	13,444	718,139	718,139	718,139	718,139	718,139	718,139	718,139	690,922	
Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposal	-	-	-	-	-	-	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(66,597)	(3,314)	
At 31st March 2016	881,736	1,381,018	344,576	344,576	48,072	2,422,423	711,526	69,680	5,859,031	5,859,031	5,859,031	5,859,031	5,859,031	5,859,031	5,859,031	5,207,489	
Net Book Value																	
At 31 st March 2016	£3,344,128	£7,846,458	£88,135	£88,135	£4,586	£886,491	£323,297	£32,199	£12,525,294	£12,525,294	£12,525,294	£12,525,294	£12,525,294	£12,525,294	£12,525,294	11,311,173	
Net Book Value																	
At 31 st March 2015	£3,287,824	£7,885,823	£111,923	£111,923	£6,116	£831,954	£243,532	£32,001	£12,399,173	£12,399,173	£12,399,173	£12,399,173	£12,399,173	£12,399,173	£12,399,173	11,311,173	

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2016

(15) Association Tangible Fixed Assets - Other Fixed Assets

	Commercial Property £	Office Property £	Housing Furniture Equipment £	Supported Furniture Equipment £	Office Furniture Equipment £	Motor Vehicles £	Total 2016 £	Total 2015 £
Cost								
At 1 st April 2015	3,347,437	9,008,004	407,503	52,658	2,779,756	39	15,595,397	15,439,318
Additions in Year	113,428	65,662	-	-	334,846	28,054	541,990	158,593
Transfer	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(39)	(39)	(2,514)
At 31st March 2016	3,460,865	9,073,666	407,503	52,658	3,114,602	28,054	16,137,348	15,595,397
Depreciation								
At 1 st April 2015	824,612	1,143,232	310,705	46,542	1,987,074	39	4,312,204	3,788,946
Charge for Year	57,124	177,104	18,747	1,530	268,633	7,014	530,152	525,772
Transfer	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(39)	(39)	(2,514)
At 31st March 2016	881,736	1,320,336	329,452	48,072	2,255,707	7,014	4,842,317	4,312,204
Net Book Value								
At 31 st March 2016	£2,579,129	£7,753,330	£78,051	£4,586	£858,895	£21,040	£11,295,031	
Net Book Value								
At 31 st March 2015	£2,522,825	£7,864,772	£96,798	£6,116	£792,682	£ -	£11,283,193	

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(16) Investments

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
Investments - Subsidiaries				
At 1 st April 2015	-	-	2,562,366	-
Additions in year	-	-	-	2,562,366
Disposals in year	-	-	-	-
	-----	-----	-----	-----
At 31 st March 2016	£ -	£ -	£2,562,366	£2,562,366
	=====	=====	=====	=====
Investments in subsidiaries	£ -	£ -	£2,562,366	£2,562,366
	=====	=====	=====	=====
Investments - Homestake	£826,385	£826,385	£826,385	£826,385
	=====	=====	=====	=====

(17) Stock

	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Housing properties - completed	21,813,920	21,813,920	-	-
Stock	245,671	294,579	46,315	111,239
	-----	-----	-----	-----
	£22,059,591	£22,108,499	£46,315	£111,239
	=====	=====	=====	=====

(18) Debtors

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
Rental Debtors	1,722,610	1,586,935	1,529,137	1,470,261
Provision for Bad Debts	(714,932)	(633,453)	(621,564)	(577,369)
	-----	-----	-----	-----
	1,007,678	953,482	907,573	892,892
Mortgage Advances, Other Grants & HAG Receivable	1,845,887	2,066,985	1,845,887	2,066,985
Car Loans to Employees	27,805	45,549	21,725	34,324
Other Loan to Employee	11,761	11,994	7,431	7,003
VAT receivable	79,964	-	72,096	-
Other Debtors	1,828,903	1,918,470	1,195,426	980,227
Amounts due from Subsidiaries	-	-	442,083	1,112,723
Deferred tax	2,628	-	-	-
Service Charge Equalisation Account (See Note 12)	903,019	712,903	903,019	712,903
	-----	-----	-----	-----
	£5,707,645	£5,709,383	£5,395,240	£5,807,057
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(18) Debtors (continued)

	Consolidated		Association	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due outwith 1 yr				
Amounts due from Subsidiary Co's	-	-	-	362,900
Car loans to employees	14,510	31,275	12,026	24,482
	-----	-----	-----	-----
	£14,510	£31,275	£12,026	£387,382
	=====	=====	=====	=====

Car Purchase Loans to Employees

A total of £27,805 (2015 - £45,549) is outstanding in respect of loan to 8 employees for car purchase. There are no loans outstanding in respect of any director. All such loans were individually approved in accordance with Policies adopted by the Committee of Management, Terms, rates of interest and payment provision conform to conditions applied in Employee's Contract of Employment. All are repayable by installment.

(19) Creditors: amounts falling due within one year

	Consolidated		Association	
	2016 £	Restated 2015 £	2016 £	Restated 2015 £
Prepaid Rents & Service Charges	644,931	701,694	590,244	617,457
Loan interest and Principal	429,841	427,768	408,829	406,339
Contracts for Capital Works	2,990,883	3,498,417	2,990,883	3,498,417
Service Charge Equalisation Account (See Note 12)	501,959	452,483	501,959	452,483
Other Taxation & Social Security	416,706	423,329	123,466	117,115
VAT Payable	38,778	127,200	-	1,871
Other Creditors	5,616,320	5,476,979	2,975,667	2,915,395
Due to Subsidiary	-	-	630,156	1,173,210
Homestake	217,555	217,555	217,555	217,555
Deferred Income	2,364,208	2,364,526	2,342,770	2,344,274
Pension Provision	1,336,692	1,297,454	1,114,130	1,081,374
Housing Loans	248,968	329,155	-	-
Non Housing Loans	18,223	9,523	-	-
	-----	-----	-----	-----
	£14,825,064	£15,326,083	£11,895,659	£12,825,490
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(20) Creditor: amounts falling due after more than one year

	Consolidated		Association	
	Restated		Restated	
	2016	2015	2016	2015
	£	£	£	£
Housing Loans	126,649,415	123,295,244	109,433,662	105,462,148
Non Housing Loans	485,549	495,760	461,233	461,233
Deferred Income	200,563,465	192,700,008	198,990,946	191,143,269
Derivative Financial Instruments	15,628,474	15,905,813	15,628,474	15,905,813
	-----	-----	-----	-----
Total	£343,326,903	£332,396,825	£324,514,315	£312,972,463
	=====	=====	=====	=====

Borrowings are repayable as follows:

	Consolidated		Association	
	Restated		Restated	
	2016	2015	2016	2015
	£	£	£	£
Housing Loans				
Within 1 Year	248,968	329,155	-	-
Between 1 & 2 Years	141,424	2,828,095	-	2,500,000
Between 2 & 5 Years	15,968,786	16,226,599	-	-
More than 5 Years	110,539,205	104,240,550	109,433,662	102,962,148
	-----	-----	-----	-----
	£126,898,383	£123,624,399	£109,433,662	£105,462,148
	=====	=====	=====	=====
Non Housing Loans				
Within 1 Year	18,223	9,523	-	-
Between 1 & 2 Years	11,741	10,212	-	-
Between 2 & 5 Years	12,575	24,315	-	-
More than 5 Years	461,233	461,233	461,233	461,233
	-----	-----	-----	-----
	£503,772	£505,283	£461,233	£461,233
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(20) Creditor: amounts falling due after more than one year (continued)

Loans are secured by specific charges on the Association and Group properties. The terms of repayment and interest rates are noted below.

Interest	Maturity	Repayment terms	Consolidated Carrying value	Association Carrying value
Libor + 0.2%	10/12/2025	Fully amortising	£3,290,908	£3,290,908
Libor + 0.2%	10/09/2037	Interest only then capital & interest	£3,442,404	£3,442,404
Libor + 1.25%	17/08/2020	Interest only then bullet repayment	£6,500,000	£6,500,000
Libor + 0.2%	10/09/2037	Interest only then bullet repayment	£22,450,281	£22,450,281
Libor + 0.2%	02/10/2037	Interest only then capital & interest	£22,473,811	£22,473,811
Fixed 5.193%	24/04/2038	Interest only then bullet repayment	£34,755,166	£34,755,166
Fixed 5.445%	31/11/2020	Interest only then bullet repayment	£6,992,553	£6,992,553
Fixed 4.13%	10/09/2037	Interest only then capital & interest	£9,989,772	£9,989,772
Libor + 0.8%	30/07/2027	Fully amortising	36,465	-
Libor + 0.8%	01/11/2029	Fully amortising	28,038	-
Fixed 5.89%	29/10/2021	Fully amortising	268,783	-
Fixed 5.88%	26/06/2030	Fully amortising	184,149	-
Fixed 5.43%	11/03/2019	Fully amortising	206,486	-
Fixed 6.5%	28/02/2017	Fully amortising	152,546	-
Libor + 1.0%	06/07/2024	Fully amortising	36,214	-
Libor + 0.7%	01/12/2026	Fully amortising	49,544	-
Libor + 0.7%	15/12/2030	Fully amortising	147,079	-
-	-	No fixed repayment	6,600	-
Libor + 0.5875%	01/04/2035	Fully amortising	39,847	-
Fixed 7.0%	31/03/2020	Fully amortising	35,265	-
Libor + 1.0%	01/01/2019	Fully amortising	33,939	-
Fixed 6.06%	18/11/2025	Fully amortising	622,695	-
Fixed 6.8%	16/01/2017	Fully amortising	42,134	-
Libor + 1.0%	27/06/2017	Fully amortising	59,283	-
Fixed 4.0%	01/06/2017	Fully amortising	7,273	-
Fixed 4.0%	30/06/2020	Interest only then capital & interest	15,550,920	-
			-----	-----
			£127,402,155	£105,894,895
			=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(20) Creditor: amounts falling due after more than one year (continued)

The deferred income balance is made up as follows:

	Housing Association Grants £	Other Housing Grants £	Homestake £	Other Grants £	Restated Total £
Consolidated					
Deferred income as at 1 April 2015 (Restated)	188,491,273	5,317,278	826,385	429,598	195,064,534
Additional income received	10,584,101	-	-	-	10,584,101
Transfer of engagements	-	-	-	61,245	61,245
Transfer to stock	(40,357)	-	-	-	(40,357)
Transfer to creditors	-	(22,842)	-	-	(22,842)
Disposals	(341,751)	-	-	-	(341,751)
Released to Statement of Comprehensive Income	(2,298,156)	(61,329)	-	(17,772)	(2,377,257)
	-----	-----	-----	-----	-----
Deferred income as at 31 March 2016	£196,395,110	£5,233,107	£826,385	£473,071	£202,927,673
	=====	=====	=====	=====	=====
Association					
Deferred income as at 1 April 2015 (Restated)	187,481,617	4,749,943	826,385	429,598	193,487,543
Additional income received	10,584,101	-	-	-	10,584,101
Transfer to stock	(40,357)	-	-	-	(40,357)
Disposals	(341,751)	-	-	-	(341,751)
Released to Statement of Comprehensive Income	(2,285,192)	(54,344)	-	(16,284)	(2,355,820)
	-----	-----	-----	-----	-----
Deferred income as at 31 March 2016	£195,398,418	£4,695,599	£826,385	£413,314	£201,333,716
	=====	=====	=====	=====	=====

This is expected to be released to the Statement of Comprehensive Income in the following years:

	Consolidated		Association	
	2016 £	Restated 2015 £	2016 £	Restated 2015 £
Due within 1 year	2,364,208	2,364,526	2,342,770	2,344,274
Due in 1 year or more	200,563,465	192,700,008	198,990,946	191,143,269
	-----	-----	-----	-----
	£202,927,673	£195,064,534	£201,333,716	£193,487,543
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(21) Provisions for liabilities – Pension Provision

SFHA Pension	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Provision at 1 April 2015	16,748,927	16,296,962	13,953,541	13,577,009
Unwinding of the discount factor (interest expense)	356,310	534,190	296,842	445,034
Deficit contribution paid	(1,294,671)	(1,256,962)	(1,078,591)	(1,047,176)
Remeasurements – impact of any change in assumptions	(62,519)	1,174,736	(52,085)	978,673
	-----	-----	-----	-----
Provision as 31 March 2016	£15,748,047	£16,748,926	£13,119,707	£13,953,540
	=====	=====	=====	=====
Due within 1 year	1,333,511	1,294,670	1,110,949	1,078,590
Due in more than 1 year	14,414,536	15,454,256	12,008,758	12,874,950
	-----	-----	-----	-----
	£15,748,047	£16,748,926	£13,119,707	£13,953,540
	=====	=====	=====	=====

Pension Trust's Growth Plan	Consolidated		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Provision at 1 April 2015	23,434	24,183	23,434	24,183
Unwinding of the discount factor (interest expense)	18	1,000	18	1,000
Deficit contribution paid	(2,784)	(2,702)	(2,784)	(2,702)
Remeasurements – impact of any change in assumptions	(487)	953	(487)	953
Remeasurements – amendments to the contribution schedule	10,959	-	10,959	-
	-----	-----	-----	-----
Provision as 31 March 2016	£31,140	£23,434	£31,140	£23,434
	=====	=====	=====	=====
Due within 1 year	3,181	2,784	3,181	2,784
Due in more than 1 year	27,959	20,650	27,959	20,650
	-----	-----	-----	-----
	£31,140	£23,434	£31,140	£23,434
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(21) Provisions for liabilities – Other Provisions

Consolidated	As at 1st April 2015	Transfer to/from provision	At 31st March 2016
	£	£	£
Housing Services Sinking Fund	70,383	(12,356)	58,027
Lift Replacement	144,109	80,650	224,759
Furniture Replacement	700,110	49,125	749,235
Laundry Replacement	129,392	7,041	136,433
Equipment Replacement	647,952	70,937	718,889
Provision of Internal Decoration	182,075	79,775	261,850
Door Entry Replacement	420,027	67,188	487,215
Aerial Replacement	33,462	7,782	41,244
Future Repairs	753,667	14,680	768,347
Deferred Tax (Note 22)	34,601	12,019	46,620
	-----	-----	-----
	£3,115,778	£376,841	£3,492,619
	=====	=====	=====
Association	As at 1st April 2015	Transfer to/from Provision	At 31st March 2016
	£	£	£
Housing Services Sinking Fund	70,383	(12,356)	58,027
Lift Replacement	127,723	63,822	191,545
Furniture Replacement	598,369	(180)	598,189
Laundry Replacement	129,392	7,041	136,433
Equipment Replacement	644,789	69,501	714,290
Provision of Internal Decoration	182,075	79,775	261,850
Door Entry Replacement	398,588	64,262	462,850
Aerial Replacement	30,770	5,772	36,542
Future Repairs	128,817	(39,170)	89,647
	-----	-----	-----
	£2,310,906	£238,467	£2,549,373
	=====	=====	=====

(22) Provision for Deferred Taxation - Consolidated

	2016	2015
	£	£
Accelerated Capital Allowances	46,620	34,601
Tax losses carried forward	(2,628)	-
	-----	-----
Provision for deferred tax	£43,992	£34,601
	=====	=====
Provision at 1 April 2015	34,601	28,823
Deferred tax charge in profit & loss account	9,391	5,778
	-----	-----
Provision at 31 March 2016	£43,992	£34,601
	=====	=====

Deferred tax is split as £46,620 liability and £2,628 asset.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(23) Financial Instruments

The carrying amounts of financial instruments are as follows:

	Consolidated		Association	
	2016	2015	2016	2015
Financial Liabilities				
Measured at fair value through the Statement of Comprehensive Income				
- Derivative financial instruments (Note 20)	15,628,474	15,905,813	15,628,474	15,905,813
	-----	-----	-----	-----
	15,628,474	15,905,813	15,628,474	15,905,813
Measured at amortised cost				
- Bank loans (Note 20)	127,402,155	124,129,682	109,894,895	105,923,381
	-----	-----	-----	-----
	127,402,155	124,129,682	109,894,895	105,923,381

The income, expenses, net gains and net losses attributable to financial instruments are summarised as follows:

	Consolidated		Association	
	2016	2015	2016	2015
Income and expense				
Financial liabilities measured at amortised cost	£28,485	£14,902	£28,485	£14,902
Net gains and losses (including changes in fair value)				
Financial liabilities measured at fair value through the Statement of Comprehensive income	£277,339	£5,692,257	£277,339	£5,692,257

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through the Statement of Financial Activities was:

	Consolidated		Association	
	2016	2015	2016	2015
Interest income	£79,372	£153,781	£180,909	£184,864
Interest expense	£5,312,462	£5,231,952	£4,579,041	£4,854,215

The Association uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The fair value of derivatives is determined by their mark to market valuation at each reporting date.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(24) Reserves

Income and Expenditure Reserve

The income and expenditure reserve represents cumulative surplus and deficits net of other adjustments.

Restricted Reserve

Restricted reserves are those reserves which are subject to external restrictions governing their use.

Negative Goodwill

Goodwill arising from the merger with Clean Close Company Limited is written off to the Statement of Comprehensive Income over a period of ten years. The company continues to benefit from contracts secured under the name of Clean Close Company Limited and it is anticipated future works will also result during this time.

Non-controlling Interest

The portion of equity in a subsidiary that is not attributable to the parent, Hillcrest Housing Association Limited.

(25) Pensions

Retirement Benefits

(a) SFHA Pension Scheme

Hillcrest Housing Association Limited and its subsidiary Gowrie Care Limited participates in the Scottish Housing Associations' Pension Scheme ("the scheme"), a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Association or the subsidiary to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Both companies therefore account for the schemes as a defined contribution scheme.

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". The Association and its subsidiary therefore are 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.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(25) Pensions (continued)

(a) SFHA Pension Scheme (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394M, liabilities of £698M and a deficit of £304M. 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 2014 to 30 September 2027 : £26.3M per annum
 (payable monthly and increasing by 3% each 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 company has agreed to a deficit funding arrangement, the company 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.

Reconciliation of both the Association and its subsidiary's opening and closing provisions is provided at note 21.

	2016	2015
Assumption - the rate of discount - % per annum	2.29%	2.22%

The discount rates 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.

b) Pensions Trust's Growth Plan

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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'. The Association is therefore 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.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(25) Pensions (continued)

(b) Pensions Trust's Growth Plan (continued)

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 2011. This actuarial valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. 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 2013 to 31 March 2023: £13.9M per annum
(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company 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.

Reconciliation of the Associations opening and closing provisions is provided in note 21.

	2016	2015
Assumption - the rate of discount - % per annum	2.07%	1.74%

The discount rates 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.

(26) Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and Co-operative and Community Benefit Societies (Group Accounts) Regulation of 2014.

(27) Related Parties

Two member of the Committee of Management are also tenants of the Association. The tenancies are on the same terms as for other tenants and no advantage can be gained from the position.

During the financial year, Committee members were charged rent totalling £7,561 (2015 - £7,338). As at 31 March 2016 no amount (2015 – nil) was due to the Association.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Where members of the Committee of Management are also councilors or employees of related local authorities, there are no transactions to disclose that were not made at arm's length or not made under the normal commercial terms.

Northern Housing Company Limited

During the financial year, various trading & inter- company transactions occurred between Northern Housing Company Limited (NHCL) with the parent company Hillcrest Housing Association Limited (HHA) and another member of the group Hillcrest Maintenance Services Limited (HMS), a company incorporated in the United Kingdom and wholly owned by HHA.

The following members of the Committee of Management of Hillcrest Housing Association Limited are also Directors of Northern Housing Company Limited:

Mr. D. Boyle (appointed 16 May 2016)

An overview of the transactions and balances are as follows:-

	Closing creditors due from NHCL	Closing debtors due to NHCL	Net Balance due to/ (from) NHCL
	£	£	£
HHA (2016)	(39,316)	39,796	480
HHA (2015)	(16,747)	65,040	48,293
HMS (2016)	(191,464)	774	(190,690)
HMS (2015)	(133,577)	25,841	(107,736)
HEL (2016)	(6,416)	-	(6,416)
HEL (2015)	(3,410)	-	(3,410)

Other related transactions:-

	HHA 2016	HHA 2015	HMS 2016	HMS 2015
	£	£	£	£
Maintenance services to NHCL	-	-	975,367	915,191
Central charges to NHCL	389,163	358,000	-	-
Lease charges to NHCL	1,216,702	985,916	-	-

Craigowl Communities

The following members of the Committee of Management of Hillcrest Housing Association Limited are also Directors of Craigowl Communities:

Mr. T. Waters (resigned 17 May 2016)
Mr. M. Hussain

During the financial year, various trading & inter- company transactions occurred between Craigowl Communities (CC) with the parent company Hillcrest Housing Association Limited (HHA) and another member of the group Hillcrest Maintenance Services Limited (HMS), a company incorporated in the United Kingdom and wholly owned by HHA.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Craigowl Communities

An overview of the transactions and balances are as follows:-

	Closing creditors due from CC	Closing debtors due to CC	Net Balance due to/ (from) CC
	£	£	£
HHA (2016)	(716)	11,763	11,047
HHA (2015)	-	1,657	1,627
HMS (2016)	(8,781)	659	(8,122)
HMS (2015)	(20)	911	(891)
HEL (2016)	-	161	161
HEL (2015)	-	3,770	3,770
GC (2016)	(3,177)	1,089	(2,088)
GC (2015)	(2,024)	-	(2,024)

Craigowl Communities manage a project on behalf of Hillcrest Enterprises Limited. The management charge of £7,500 (2015 – nil) reflects the time required for the provision of work carried out on behalf of the company. The company also recharged Hillcrest Enterprises Limited the amount of £124 (2015 – £6,116) in respect of expenses in the financial year.

Gowrie Care Limited, a wholly owned subsidiary of Hillcrest Housing Association Limited, recharged salaries to Craigowl during the financial year of £27,608 (2015 – £5,939) and administrative expenses of nil (2015 – £13). Rent and costs for Gilmour Street in Edinburgh was recharged at £2,212. Craigowl Communities donated nil (2015 – £100) to Gowrie Care Limited.

Gowrie Care Limited were charged rental costs of £661 (2015 - £713) by the company during the financial year. Gowrie Care were also recharged staff costs of nil (2015 – £1,951), Money Advice services of nil (2015 – £7,000) and other expenses of nil (2015 – £308). Toolbox trainees were charged at £3,296 (2015 – nil). Catering was recharged to Gowrie Care amounting to £336 (2015 – nil).

Other related transactions:-

	HHA 2016	HHA 2015	HMS 2016	HMS 2015
	£	£	£	£
Central charges to CC	38,645	39,273	-	-
Rent charges to CC	28,251	33,500	-	-
Recharges to CC	13,671	6,995	9,693	-
Funding contributions to CC	177,334	52,181	-	-
Salaries recharged from CC	-	-	5,679	5,678
Recharges from CC	17,574	-	-	-
Sale of motor vehicle	-	-	1,310	-
Catering services from CC	1,708	-	95	-
Provision of maintenance and cleaning services to CC	-	-	2,312	1,039

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Gowrie Care Limited

The following members of the Committee of Management of Hillcrest Housing Association Limited are also Directors of Gowrie Care Limited:

Ms. A. MacDonald

During the financial year, various trading & inter company transactions occurred between Gowrie Care Limited (GC) with the parent company Hillcrest Housing Association Limited (HHA) and another member of the group Hillcrest Maintenance Services Limited (HMS), a company incorporated in the United Kingdom and wholly owned by HHA.

An overview of the transactions and balances are as follows:-

	Closing creditors due from GC	Closing debtors due to GC	Net Balance due to/ (from) GC
	£	£	£
HHA (2016)	(14,678)	4,850	(9,828)
HHA (2015)	(46,810)	30,368	(16,442)
HMS (2016)	(14)	-	(14)
HMS (2015)	(1,660)	-	(1,660)
CC (2016)	(1,177)	3,265	2,088
CC (2015)	(1,547)	5,712	4,165
HEL (2016)	(5,145)	-	(5,145)
HEL (2015)	(1,606)	-	(1,606)

A loan of £500,000 was provided by Gowrie Care Limited to Hillcrest Maintenance Services Limited on 31 March 2016. This loan is repayable over 11.5 years with interest charged at 4%. It has been agreed to reassess the interest charge when the Bank of England base rate increases to 2%. The balance outstanding from Hillcrest Maintenance Services Limited and included in debtors was £500,000.

Craigowl Communities, a wholly owned subsidiary of Hillcrest Housing Association Limited, was recharged salaries during the financial year of £27,608 (2015 – £5,939), rent of £1,783 and administrative expenses of £429 (2015 – £13). Craigowl Communities recharges Gowrie Care for rental charges of nil (2015 - £713), staff costs of £3,296 (2015 – £1,951), Money Advice services of nil (2015 – £7,000), buffet services of £336 (2015 – nil) and other expenses of £661 (2015 – £308).

Craigowl Communities made no donations to Gowrie Care Limited during the financial year (2015 – £100).

Gowrie Care Limited were recharged £56,123 (2015 – £18,517) recruitment and relief staff costs and £383 (2015 – £4,498) administrative expenses during the financial year by Hillcrest Enterprises Limited.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Gowrie Care Limited

Other related transactions:-

	HHA 2016	HHA 2015	HMS 2016	HMS 2015
	£	£	£	£
Central charges to GC	412,170	422,382	-	-
Lease costs charged to GC	126,790	111,177	-	-
Admin expenses to GC	190,786	227,347	-	-
Donation to GC (less unused donation returned to HHA)	7,209	100,400		
Salaries recharged from GC	14,263	6,000	-	180
Provision of maintenance services to GC	-	-	16,433	6,238
Salaries recharged to GC	46,236	49,882	-	-
Concierge costs from GC	630,078	346,010	-	-
Admin expenses from GC	3,823	7,979	-	-

Hillcrest Enterprises Limited

During the financial year, various trading & inter-company transactions occurred between Hillcrest Enterprises Limited (HEL) with the parent company Hillcrest Housing Association Limited (HHA) and another member of the group Hillcrest Maintenance Services Limited (HMS), a company incorporated in the United Kingdom and wholly owned by HHA.

Craigowl Communities provided management services to Right Recruitment during the financial year. The management charge of £7,500 (2015 - nil) reflects the time required for the provision of work carried out on behalf of the company. Craigowl Communities also recharged HEL the amount of £37 (2015 - £6,116) in respect of direct expenses for the financial year.

Gowrie Care were provided care relief staff during the financial year from Right Recruitment of £56,123 (2015 – £18,516). Gowrie Care were also recharged £383 (2015 – £4,498) for direct costs.

An overview of the transactions and balances are as follows:-

	Closing creditors due from HEL	Closing debtors due to HEL	Net Balance due to/ (from) HEL
	£	£	£
HHA (2016)	(134)	9,882	9,748
HHA (2015)	(46,464)	8,429	(38,035)
HMS (2016)	(10,813)	-	(10,813)
HMS (2015)	(16,463)	-	(16,463)
CC (2016)	(37)	-	(37)
CC (2015)	-	-	-
NHCL (2016)	-	6,416	6,416
NHCL (2015)	-	3,767	3,767
GC (2016)	-	5,415	5,415
GC (2015)	-	1,605	1,065

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Hillcrest Enterprises Limited

Other related transactions:-

	HHA 2016	HHA 2015	HMS 2016	HMS 2015
	£	£	£	£
Provision of maintenance services to HEL	-	-	98,957	77,223
Gift Aid donation to HHA	-	45,000	-	-
Direct costs recharged to HHA	2,275	738	-	-
Direct costs recharged from HHA	37,012	75,777	-	-
Provision of relief care to HHA	-	2,720	-	-
Lease charges to HEL	26,939	25,858	-	-
Central charge to HEL	81,392	82,823	-	-

Hillcrest Maintenance Services Limited

The following members of the Committee of Management of Hillcrest Housing Association Limited are also directors of Hillcrest Maintenance Services Limited:-

Mr. A. Russell (resigned 9 June 2015)
Mr. D. Noble

During the financial year, various trading & inter-company transactions occurred between Hillcrest Maintenance Services Limited (HMS) with the parent company Hillcrest Housing Association Limited (HHA) and another member of the group Hillcrest Enterprises Limited (HEL), a company incorporated in the United Kingdom and wholly owned by HHA.

A loan of £656,000 was provided by HHA during the financial year ending 31 March 2010 to assist with the set up of the provision of maintenance services. This loan was repaid during the financial year, leaving an outstanding balance of nil as at 31 March 2016 (2015 - £395,700).

Gowrie Care, a member of the group, a company incorporated in the United Kingdom wholly owned by HHA, recharged no staff costs (2015 - £180) to Hillcrest Maintenance Services in the year. Hillcrest Maintenance Services provided maintenance services to the company totalling £16,433 (2015 - £6,238).

A loan of £500,000 was provided by Gowrie Care Limited to Hillcrest Maintenance Services Limited on 31 March 2016. This loan is repayable over 11.5 years with interest charged at 4%. It has been agreed to reassess the interest charge when the Bank of England base rate increases to 2%.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Hillcrest Maintenance Services Limited

An overview of the transactions and balances are as follows:-

	Closing creditors due from HMS	Closing debtors due to HMS	Net Balance due to/ (from) HMS
	£	£	£
HHA (2016)	(72,154)	242,833	170,679
HHA (2015)	(492,597)	1,000,069	507,472
HEL (2016)	(37)	10,850	10,813
HEL (2015)	(6,090)	22,553	16,463
GC (2016)	(500,000)	14	(499,986)
GC (2015)	-	1,660	1,660
NHCL (2016)	(774)	191,464	190,689
NHCL (2015)	(25,841)	133,577	107,736
CC (2016)	(659)	8,781	8,122
CC (2015)	(963)	72	(891)

Craigowl Communities, a member of the group incorporated in the United Kingdom wholly owned by HHA, recharged salary costs and expenses of £5,773 (2015 – £5,678) to Hillcrest Maintenance Services in the year. Hillcrest Maintenance Services also provided maintenance services to the company totalling £2,632 (2015 – £1,039) and recharged salaries of £8,799 (2015 – nil) and recharged expenses of £894 (2015 - nil). Hillcrest Maintenance Services Limited also sold a van to Craigowl Communities during the financial year for £970.

Maintenance services were provided in the year to Northern Housing Company Limited, a member of the group, a company incorporated in the United Kingdom and wholly owned by Hillcrest Housing Association Limited (HHA), to the value of £975,496 (2015 – £915,191).

Other related transactions:-

	HHA 2016	HHA 2015	HEL 2016	HEL 2015
	£	£	£	£
Provision of maintenance services – within turnover	6,807,437	6,275,577	98,957	77,223
Salaries charged to HHA	-	5,799	-	-
Administrative expenses to HHA	1,234	542	-	-
Cost of sales and administrative expenses recharged to HMS	107,109	75,151	-	-
Central charges to HMS	370,236	134,461	-	-
Rent charged to HMS	17,500	17,500	-	-
Interest charged to HMS	17,253	20,979	-	-
Salaries charged to HMS	-	15,956	-	-
Gift Aid donation to HHA	16,170	169,010	-	-

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(27) Related Parties (continued)

Leith Links NHT 2011 LLP

During the financial year, various trading & inter-company transactions occurred between Leith Links (LL) and Hillcrest Housing Association Limited (HHA) and another member of the group Northern Housing Company (NHC), a company incorporated in the United Kingdom and wholly owned by HHA.

On 14th November 2014 Hillcrest Housing Association, who are members of Leith Links, obtained a loan note for the amount of £1,089,000 which is repayable by Leith Links when the properties begin to be sold. It pays interest at 11% per annum and at 31st March 2016 interest payable stood at £119,790 (2015 – £45,259).

Northern Housing Company provided management, administrative and insurance services to Leith Links during the period at a total cost of £180,020 (2015 - £147,367).

An overview of the transactions and balances are as follows:-

	Closing creditors due from LL	Closing debtors due to LL	Net Balance due to/ (from) LL
	£	£	£
HHA (2016)	-	1,161	1,161
HHA (2015)	(47,366)	-	(47,366)
NHC (2016)	-	-	-
NHC (2015)	(94,424)	366	(94,058)

Upper Dens Landscaping Limited

There were no material transactions between Hillcrest Housing Association Limited and its associated company Upper Dens Landscaping Limited.

Explorer Heat Limited

The following members of the Committee of management of Hillcrest Housing Association Limited are also directors of Explorer Heat Limited:-

Ms. M. Dwarshuis
Ms. V. Howard
Mr. A. Russell

The company remained dormant throughout the financial year.

The Hillcrest Group Limited

The following members of the Committee of Management of Hillcrest Housing Association Limited are also directors of The Hillcrest Group Limited:-

Mr. A. Russell
Ms. V. Howard

The company remained dormant throughout the financial year.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(28) Subsidiaries Information

Details of the investments in which the group or the company holds more than 10% of the nominal value of any class of share capital are as follows:

	Country of registration or incorporation	Holding	Proportion of voting rights	Nature of Business
Gowrie Care Limited	Scotland	See Note 28 (a)	100%	Provides care & Support services
Hillcrest Maintenance Services Limited	Scotland	See Note 28 (a)	100%	Provision of maintenance services
Hillcrest Enterprises Limited	Scotland	See Note 28 (a)	100%	Provision of rented accommodation for people with special needs & recruitment services
Northern Housing Company Limited	Scotland	See Note 28 (a)	100%	Provision of mid-market rented accommodation
Craigowl Communities	Scotland	See Note 28 (a)	100%	Provision of vocational training, education & guidance services
Leith Links NHT 2011 LLP	Scotland	See Note 28 (f)	50%	Provision of mid-market rented accommodation
Explorer Heat Limited	Scotland	See Note 28 (a)	100%	Dormant since incorporation
The Hillcrest Group Limited	Scotland	See Note 28 (a)	100%	Dormant since Incorporation
Upper Dens Landscaping Limited	Scotland	See Note 28 (a) and Note 28 (e)	50%	Manages common ground

- a) These subsidiaries and related undertakings are companies Limited by guarantee and do not have a share capital.
- b) No company is unincorporated.
- c) Employees within the Hillcrest Group have joint contracts of employment. Any time spent by an employee is recharged to the relevant group company.
- d) Hillcrest Housing Association Limited is the ultimate parent company of the group.
- e) Hillcrest Housing Association Limited is required by statute to prepare group accounts. Upper Dens Landscaping Limited due to the immaterial nature is unconsolidated.

The aggregate amount of capital and reserves and the results of this undertaking for the last relevant financial year were as follows:

	Capital and Reserves	Profit for the year
Upper Dens Landscaping Limited	£277	£Nil

- f) Leith Links NHT 2011 LLP is a Limited Liability Partnership and is controlled by its member Hillcrest Housing Association Limited.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(29) Capital Commitments

	2016 £	2015 £
Housing Properties – Consolidated and Association		
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£26,299,526 =====	£17,479,235 =====
The estimated amount of contracts for capital expenditure authorised by directors which has not been contracted for	£19,205,000 =====	£4,490,328 =====

The amounts contracted for at 31st March 2016 will be funded by Scottish Ministers, financed from private loans or met from the Association's reserves.

Other Assets – Consolidated

Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£45,000 =====	£ - =====
The estimated amount of contracts for capital expenditure authorised by directors which has not been contracted for	£ - =====	£ - =====

The amounts contracted for at 31st March 2016 will be financed from private loans or met from the Groups reserves.

(30) Contingent Liability

Hillcrest Maintenance Services Limited

The receipts in respect of the apprenticeship training scheme are received over four years. The costs are incurred over 18 months and the income is accrued over the 18 month period to match the costs. Included within HMS' accounts is accrued income of £5,536 (2015 - £15,518) which will not be receivable, if the apprentices do not complete the four year apprenticeship.

Hillcrest Housing Association Limited

Should the Association decide to end participation in the SFHA Pension Scheme there would be a potential liability of £34,887,742, of which £13,119,707 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2016. Should the Association decide to end participation in the SFHA Pension Trust Growth Plan there would be a potential liability of £48,457, of which £31,140 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2016. There is no intention at present to cease membership of either pension scheme.

Gowrie Care Limited

Should the Company decide to end participation in the SFHA Pension Scheme there would be a potential liability of £7,940,516 payable, of which £2,628,340 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2016. There is no intention at present to cease membership of the Pension scheme.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(31) Financial Commitments

The total commitments under non-cancelable operating leases as follows:

	Consolidated		Association	
	2016	2015	2016	2015
	£	£	£	£
Property				
Less than one year	30,189	14,904	30,189	14,904
Between 1 – 5 years	110,337	49,941	110,337	49,941
Over 5 years	-	1,152,901	-	1,152,901
Plant & Machinery				
Less than one year	8,728	4,117	-	-
Between 1 – 5 years	15,434	46,999	-	-
Motor Vehicles				
Between 1 – 5 years	5,186	-	5,186	-

(32) Business Acquisitions

Hillcrest Housing Association Limited became a member of Leith Links NHT 2011 LLP on 14th November 2014. The fair value of Leith Links' recognised assets and liabilities at that date was £5,452,869 for which a consideration of £1,473,366 was paid. The Statement of Recommended Practice: Accounting for Registered Social Landlords 2014 requires the fair value of the assets and liabilities on acquisition to be recognised as a gain in the Statement of Comprehensive Income of the Group.

(33) Goodwill

The Clean Close Company Limited merged with Hillcrest Maintenance Services Limited on 1st April 2015. The fair value of Clean Close's assets and liabilities at that date was £76,845 for which no consideration was paid.

	£
Arising from new business combination	76,845
Released to Statement of Comprehensive Income	<u>(7,685)</u>
As at 31 March 2016	<u>69,160</u>

(34) Prior Year Adjustment

The prior year adjustment in the financial year ended 31 March 2015 reflects the adoption of the SORP 2014 and FRS 102. The date of transition was 1 April 2014. There were a number of adjustments required under the new accounting requirements as noted below.

a) Holiday Pay Accrual

Any holiday pay that has been earned by employees under their contract of employment but not taken by 31 March is now recognised as a cost in the year it relates to and a liability within the financial statements.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(34) Prior Year Adjustment (continued)

b) Pension Provision

The pension deficit payments made by the Association are no longer accounted for annually as an expense. Instead the full liability is reflected within the financial statements with the annual payments offset against it until the deficit is fully paid off.

Although the deficit payments are no longer reflected through the Statement of Comprehensive Income, any increases or decreases in the deficit are reflected in the year that they occur along with the unwinding of the discounted liability.

c) Grant Income

Non-government grants previously offset against the cost of the related asset and amortised are now required to be written off to the Statement of Comprehensive Income in the year in which the conditions of the grant are met. For example, for non-government grants received for the development of properties, the full amount of the grant is released on completion of the development.

Grants are amortised over their useful economic lives of the assets that they relate to. Under SORP 2014 these are no longer deemed to be structure and land but structure only.

Grants can no longer be netted off against the fixed assets they relate to and are instead presented as deferred income within the liabilities.

d) Designated Reserve

The Association currently has a designated reserve for the amounts to be awarded to projects through Gift Aid. Under SORP 2014, designated reserves should no longer be disclosed in the primary financial statements. The funds will however continue to be ring-fenced for allocation to the various projects.

e) Financial Instruments

Loans were previously recognised as the amount of funding received and any associated transaction costs such as legal fees written off in the year of receipt of funding. Under the SORP 2014 the amount now recognised as a liability is the net of the funds received and any transaction costs e.g. £9.8M recognised on a £10M loan with £200K of fees. The loan is then measured annually at amortised cost effectively unwinding the transaction costs and allocating them over the term of the loan.

The interest rate swaps held by the Association must now be measured at their fair value and any change in their fair value shown in the Statement of Comprehensive Income. Swaps will be recognised as an asset or a liability depending on whether the swap interest rate is higher or lower than the variable interest rate. The Association's swaps are at a higher rate given the current low variable rates and have resulted in a £15.9M liability being introduced. As the swaps reach maturity, the impact of the difference between the swap interest rate and the variable interest rate reduces.

The adoption of the above has resulted in a decrease in both the Consolidated and Association's surplus for the year ended 31 March 2015 of £5,989,231 and £5,901,471 respectively.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(34) Prior Year Adjustment (continued)

The effect of the adoption of SORP 2014 and FRS 102 on the Consolidated results is stated below:-

Consolidated	Reported in accounts to 31 March 2015 £	Prior year adjustment for 2014/15 £	Restated accounts to 31 March 2015 £
Statement of Comprehensive Income			
Turnover	40,403,778	2,307,386	42,711,164
Operating expenditure	(33,673,832)	(705,247)	(32,379,079)
Gain on disposal of property, plant and equipment	314,470	(203,136)	111,134
Interest and financing costs	(5,246,854)	(520,288)	(5,767,142)
Movement in fair value of financial instruments	-	(5,692,257)	(5,692,257)
Actuarial loss in respect of pension schemes	-	(1,175,689)	(1,175,689)
	-----	-----	-----
Net decrease in surplus		£(5,989,231)	
Surplus/(deficit) for the year	£5,911,358	£(5,989,231)	£(77,873)
		Cumulative prior year adjustment to	Restated reserves at
	Reserves at 31 March 2014 £	31 March 2014 £	31 March 2014 £
Reserves	£	£	£
Share Capital	84	-	84
Income and expenditure reserve	65,435,648	(18,714,919)	46,720,729
Designated reserve	586,833	(560,111)	26,722
Revaluation reserve	207,424	(207,424)	-
	-----	-----	-----
Total reserves	£66,229,989	£(19,482,454)	£46,747,535
	=====	=====	=====
		Cumulative prior year adjustment to	Restated reserves at
	Reserves at 31 March 2015 £	31 March 2015 £	31 March 2015 £
Reserves	£	£	£
Share Capital	73	-	73
Income and expenditure reserve	71,181,393	(24,660,306)	46,521,087
Designated reserve	752,446	(603,955)	148,491
Non-controlling interest	2	-	2
	-----	-----	-----
Total reserves	£71,933,914	£(25,264,261)	£46,669,653
	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2016

(34) Prior Year Adjustment (continued)

The effect of the adoption of SORP 2014 and FRS 102 on the Association's results is stated below:-

Association	Reported in accounts to 31 March 2015 £	Prior year adjustment for 2014/15 £	Restated accounts to 31 March 2015 £
Statement of Comprehensive Income			
Turnover	26,904,197	2,287,136	29,191,333
Operating expenditure	(21,582,104)	(882,456)	(22,464,560)
Gain on disposal of property, plant and equipment	315,270	(203,136)	112,134
Interest and financing costs	(4,869,117)	(431,132)	(5,300,249)
Movement in fair value of financial instruments	-	(5,692,257)	(5,692,257)
Actuarial loss in respect of pension schemes	-	(979,626)	(979,626)
	-----	-----	-----
Net decrease in surplus		£(5,901,471)	
Surplus/(deficit) for the year	£956,940	£(5,901,471)	£(4,944,531)
		Cumulative prior year adjustment to	Restated reserves at
	Reserves at 31 March 2014 £	31 March 2014 £	31 March 2014 £
Reserves	£	£	£
Share Capital	84	-	84
Income and expenditure reserve	33,158,759	(16,241,801)	16,916,958
Designated reserve	214,800	(214,800)	-
Revaluation reserve	207,424	(207,424)	-
	-----	-----	-----
Total reserves	£33,581,067	£(16,664,025)	£16,917,042
	=====	=====	=====
		Cumulative prior year adjustment to	Restated reserves at
	Reserves at 31 March 2015 £	31 March 2015 £	31 March 2015 £
Reserves	£	£	£
Share Capital	73	-	73
Income and expenditure reserve	34,071,750	(22,099,323)	11,972,427
Designated reserve	258,749	(258,749)	-
Revaluation reserve	-	-	-
	-----	-----	-----
Total reserves	£34,330,572	£(22,358,072)	£11,972,500
	=====	=====	=====