



**Alexander Sloan**  
Accountants and Business Advisers

# **Hillhead Housing Association 2000 Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No.HAC326**

**FCA Reference No. 2562R(S)**

**Scottish Charity No. SCO29908**

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### MANAGEMENT COMMITTEE

Clare Taylor	Chairperson
James Shovlin	Vice Chairperson Resigned 3 August 2016 reappointed 21 September 2016
Irene Cowie	Resigned 07/12/2016
Cllr John Jamieson	Resigned 07/06/2017
Lisa Scott	Secretary
Cllr Stewart MacDonald	
Robert Smith	
Francesca Cox	Resigned 28/09/2016
Mary Docherty	
David Wilson	
Brian Devlin	From 02/02/2017 to 07/06/2017
Cllr Susan Murray	From 07/06/2017
Stuart Niven	From 07/06/2017

### EXECUTIVE OFFICERS

Stephen Macintyre	Director
Elsbeth Sharkey	Housing Manager

### REGISTERED OFFICE

2 Meiklehill Road  
Hillhead  
Kirkintilloch  
Glasgow  
G66 2LA

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

Quinn Internal Auditors  
55 Lady Place  
Livingston  
Edinburgh  
EH54 6TB

### BANKERS

RBS  
116 Cowgate  
Kirkintilloch  
Glasgow  
G66 1JX

### SOLICITORS

Brechin Tindall Oats  
48 St Vincent St  
GLASGOW  
G2 5HS

### FINANCE AGENTS

FMD Financial Services Ltd  
KCEDG Commercial Centre  
Unit 29 Ladyloan Place  
Glasgow  
G15 8LB

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2017.

### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2562R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO29908.

### Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

### Review of Business and Future Developments

In 2016 we completed our planned renewal programme to the final 67 homes bringing our total investment since 2004 to £14.9m.

Whilst we continue to work in uncertain times we continue to review our long term projections annually and we are pleased to report that the financial outlook from this year's update remains positive over the short/medium and longer term. We continue to manage our day to day finances prudently and successfully refinanced our borrowing facility with Royal Bank of Scotland which has given us more flexibility for our future investment plans.

During the year we invested £1.7M in planned works and a further £0.175M on cyclical works.

Our reactive repairs service continues to perform very well and during the year 1895 repairs were carried out, a similar number to the previous year. Of these 99.48% were completed within the target time for completion. Where we have been able to offer a repairs appointment to tenants, 99.2% of these were kept. On average the time taken to respond to all non emergency repairs was 2.3 days, an improvement from the 2.5 days recorded for the previous year. 99.58% of our emergency repairs were dealt within the 2 hour call out period with average time of 1hr 9 minutes, a further improvement on last year. Feedback from tenants is also very high with 94.78% of tenants stating they are satisfied with the service. We believe therefore that the repairs service continues to provide value for money combined with an excellent service to tenants.

Our primary source of income is from rents and we therefore put a significant amount of resources into maximising our rental income and providing support, advice and assistance to tenants. In November 2016 we fell within a "Full Service Area" for Universal Credit (UC) claimants and by the end of March 2017 we had over 80 tenants in receipt of UC. Despite an increase in gross rent arrears from 3.81% to 4.96% we have managed to maintain rent collection to a very high level with 98.77 % of rent due being collected.

Sustaining people in their tenancies is a key element of ensuring the well being of our community and during the year over 50 tenants received on-going support from our partnership with The Mungo Foundation. A successful bid to the Scottish Government has enabled us to extend the service for another year to March 2018.

During the year we have been working with a private developer at the site at Braes O' Yetts Farm to build 30 houses that will include 22 for rent and 8 for sale on a shared equity basis. This will be our first new build development out with Hillhead and the first time we have offered an alternative form of home ownership.

Although the Right to Buy scheme was ended last July this precipitated a late surge of applications many of which were still being processed at the end of the year. During the year we sold 5 units.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

### Statement of Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The members of the Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### Statement on Internal Financial Control

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

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

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

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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.

### Donations

During the year the Association made charitable donations amounting to £550 (2015: £560).

### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

### By order of the Management Committee

LISA SCOTT  
Secretary  
30 August 2017



# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF HILLHEAD HOUSING ASSOCIATION 2000 LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator, in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
30 August 2017



**Alexander Sloan**  
Accountants and Business Advisers



We have audited the financial statements of Hillhead Housing Association 2000 Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with 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 auditors' 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 Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

#### **Scope of the audit on the Financial Statements**

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

#### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

#### **Matters on which we are required to report by exception**

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

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HILLHEAD HOUSING ASSOCIATION 2000 LIMITED**

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**Matters on which we are required to report by exception (contd.)**

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
30 August 2017



**Alexander Sloan**  
Accountants and Business Advisers

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
<b>REVENUE</b>	2.	3,907,288	4,022,123
Operating Costs	2.	<u>(3,667,416)</u>	<u>(4,068,326)</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>	9.	239,872	(46,203)
Gain On Sale Of Housing Stock	7.	38,506	25,621
Interest Receivable and Other Income		249	1,287
Interest Payable and Similar Charges	8.	(810,612)	(697,197)
Other Finance Charges	11.	<u>(18,925)</u>	<u>(16,702)</u>
		<u>(790,782)</u>	<u>(686,991)</u>
<b>DEFICIT FOR YEAR</b>		<b>(550,910)</b>	<b>(733,194)</b>
Other Comprehensive Income		(25,000)	25,000
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>(575,910)</u></b>	<b><u>(708,194)</u></b>

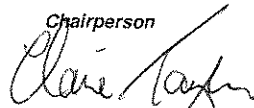
The notes on pages 13 to 27 form part of these financial statements.

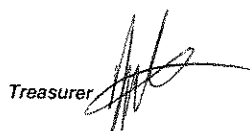
# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12.(a)		24,344,123		24,352,867
Other Non Current Assets	12.(c)		1,127,177		1,162,615
			<u>25,471,300</u>		<u>25,515,482</u>
<b>CURRENT ASSETS</b>					
Receivables	15.	155,826		133,256	
Cash at bank and in hand		378,163		683,984	
		<u>533,989</u>		<u>817,240</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16.	(631,077)		(725,730)	
<b>(NET CURRENT LIABILITIES)</b>			<u>(97,088)</u>		<u>91,510</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			25,374,212		25,606,992
<b>CREDITORS: Amounts falling due after more than one year</b>	17.		(13,733,276)		(13,039,492)
<b>PENSION LIABILITY</b>					
Strathclyde pension scheme	26	(197,000)		(161,000)	
			<u>(197,000)</u>		<u>(161,000)</u>
<b>DEFERRED INCOME</b>					
Social Housing Grants	18.	(11,869,058)		(12,242,988)	
Other Grants	18.	(448,473)		(461,192)	
			<u>(12,317,531)</u>		<u>(12,704,180)</u>
<b>NET LIABILITIES</b>					
			<u>(873,595)</u>		<u>(297,680)</u>
<b>EQUITY</b>					
Share Capital	20.		79		84
Revenue Reserves			(676,674)		(136,764)
Pension Reserve			(197,000)		(161,000)
			<u>(873,595)</u>		<u>(297,680)</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 30 August 2017.

Chairperson  


Treasurer  


Secretary  


The notes on pages 13 to 27 form part of these financial statements.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>Net Cash Inflow from Operating Activities</b>	17.		447,197	19,002
<b>Investing Activities</b>				
Acquisition and Construction of Properties		(835,452)	(1,610,663)	
Purchase of Other Fixed Assets		(20,977)	(993,004)	
Social Housing Grant Received		-	541,215	
Proceeds on Disposal of Properties		70,572	46,619	
<b>Net Cash Outflow from Investing Activities</b>			(785,857)	(2,015,833)
<b>Financing Activities</b>				
Loan Advances Received		750,000	2,500,000	
Interest Received on Cash and Cash Equivalents		249	1,287	
Interest Paid on Loans		(717,420)	(668,797)	
Share Capital Issued		10	9	
<b>Net Cash Inflow from Financing</b>			32,839	1,832,499
<b>Decrease in Cash</b>			(305,821)	(164,332)
<b>Opening Cash &amp; Cash Equivalents</b>			683,984	848,316
<b>Closing Cash &amp; Cash Equivalents</b>			<u>378,163</u>	<u>683,984</u>
<b>Cash and Cash equivalents as at 31 March 2017.</b>				
Cash			378,163	683,984
			<u>378,163</u>	<u>683,984</u>

The notes on pages 13 to 27 form part of these financial statements.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Pension Reserve	Revenue Reserve	Total
	£	£	£	£
<b>Balance as at 1st April 2015</b>	83	(172,000)	589,430	417,513
Issue of Shares	9	-	-	9
Cancellation of Shares	(8)	-	-	(8)
Other comprehensive income - pension scheme	-	25,000	-	25,000
Deficit for Year	-	(14,000)	(726,194)	(740,194)
<b>Balance as at 31st March 2016</b>	<b>84</b>	<b>(161,000)</b>	<b>(136,764)</b>	<b>(297,680)</b>
<b>Balance as at 1st April 2016</b>	84	(161,000)	(136,764)	(297,680)
Issue of Shares	10	-	-	10
Cancellation of Shares	(15)	-	-	(15)
Other comprehensive income - pension scheme	-	(25,000)	-	(25,000)
Deficit for Year	-	(11,000)	(539,910)	(550,910)
<b>Balance as at 31st March 2017</b>	<b>79</b>	<b>(197,000)</b>	<b>(676,674)</b>	<b>(873,595)</b>

The reserves opening balance at 1st April 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

##### Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

##### Revenue

The Association recognises rent receivable net of losses from voids.

Government Grants are released to income over the expected useful life of of the asset to which it relates.

##### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme. The Association also participates in the Strathclyde Pension Scheme. This is a defined benefit scheme and payments to this scheme are made in accordance with periodic calculations by consulting Actuaries.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

##### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Structure	50 years
Central Heating	15 years
Windows	25 years
Kitchen	15 years
Bathroom	20 years
External Doors	25 years
Rewiring	20 years

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Depreciation And Impairment Of Other Non-Current Assets**

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

Office Premises	-2%
Furniture and Fittings	-33%
Computer & Office Equipment	-33%
Van	-33%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### **Sales Of Housing Properties**

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

##### **Estimation Uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Hillhead Housing Association 2000 Limited Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

##### **a) Rent Arrears - Bad Debt Provision**

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

##### **b) Life Cycle of Components**

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### **c) Useful life of properties, plant and equipment**

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

### **Capitalisation Of Development Overheads**

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

### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

### **Provisions**

In accordance with Financial Reporting Standard 12 provision is made for pension liabilities relating to Strathclyde pension scheme

### **Key Judgements made in the application of Accounting Policies**

#### ***a) The Categorisation of Housing Properties***

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

#### ***b) Identification of cash generating units***

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

#### ***c) Financial instrument break clauses***

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Management Committee, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

#### ***d) Pension Liability***

In March 2016 the Association received details from the Pension Trust of the final valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feel this is the best available estimate of the past service liability.

### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method



# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

		2017			2016		
	Notes	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	3,781,484	3,453,148	328,336	3,790,764	3,784,973	5,791
Other Activities	4.	125,804	214,268	(88,464)	231,359	283,353	(51,994)
<b>Total</b>		<b>3,907,288</b>	<b>3,667,416</b>	<b>239,872</b>	<b>4,022,123</b>	<b>4,068,326</b>	<b>(46,203)</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2017 Total £	2016 Total £
<b>Revenue from Lettings</b>			
Rent Receivable Net of Service Charges	3,360,982	3,360,982	3,252,440
<b>Gross income from rent and service charges</b>	3,360,982	3,360,982	3,252,440
Less: Rent losses from voids	20,771	20,771	19,409
<b>Net Rents Receivable</b>	3,340,211	3,340,211	3,233,031
Grants released from deferred income	386,647	386,647	366,963
Revenue grants from Scottish Ministers	54,626	54,626	40,770
Other revenue grants	-	-	150,000
<b>Total turnover from affordable letting activities</b>	<b>3,781,484</b>	<b>3,781,484</b>	<b>3,790,764</b>
<b>Expenditure on affordable letting activities</b>			
Management and maintenance administration costs	980,196	980,196	996,469
Planned and cyclical maintenance, including major repairs	1,280,016	1,280,016	1,702,772
Reactive maintenance costs	350,207	350,207	321,884
Bad Debts - rents and service charges	30,599	30,599	10,804
Depreciation of affordable let properties	812,130	812,130	753,044
<b>Operating costs of affordable letting activities</b>	<b>3,453,148</b>	<b>3,453,148</b>	<b>3,784,973</b>
<b>Operating surplus on affordable letting activities</b>	<b>328,336</b>	<b>328,336</b>	<b>5,791</b>
<b>2016</b>	<b>5,791</b>		

The figure of £1,280,016 (2016 - £1,702,772) for planned & cyclical maintenance includes major repairs expenditure of £1,101,462 (2016 - £1,524,504).

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue	Other Grants	Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£	£	£
Wider Role Activities	51,061	-	4,580	55,641	102,610	-	(46,969)	(23,220)	
Contracted out services undertaken for other RSLs									
Welfare rights	-	-	16,637	16,637	16,637	-	(42,860)	(28,809)	
Rechargeable Repairs	-	41,041	11,000	52,041	95,021	-	1,485	35	
<b>Total From Other Activities</b>	<b>51,061</b>	<b>41,041</b>	<b>33,702</b>	<b>125,804</b>	<b>214,268</b>	<b>-</b>	<b>(88,464)</b>	<b>(51,994)</b>	
2016	80,699	150,025	635	231,359	283,353	-	(51,994)		

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>62,000</u>	<u>60,743</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>4,546</u>	<u>4,403</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>62,000</u>	<u>60,743</u>
Total Emoluments paid to key management personnel	<u>66,545</u>	<u>65,146</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

£60,001 to £70,000	Number	Number
	<u>1</u>	<u>1</u>

## 6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>19</u>	<u>22</u>
The average total number of Employees employed during the year was	<u>22</u>	<u>22</u>
Staff Costs were:	£	£
Wages and Salaries	629,971	631,528
Social Security Costs	57,689	59,072
Other Pension Costs	<u>45,368</u>	<u>45,443</u>
	<u>733,028</u>	<u>736,043</u>

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	70,572	46,619
Cost of Sales	<u>32,066</u>	<u>20,998</u>
Gain On Sale Of Housing Stock	<u>38,506</u>	<u>25,621</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	717,420	668,797
Effective interest rate adjustment	<u>93,192</u>	<u>28,400</u>
	<u>810,612</u>	<u>697,197</u>

## 9. DEFICIT FOR YEAR

	2017	2016
	£	£
Deficit is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	868,545	826,679
Auditors' Remuneration - Audit Services	9,000	9,600
Operating Lease Rentals - Other	4,179	4,320
Gain on sale of fixed assets	<u>38,506</u>	<u>25,621</u>

## 10. TAX ON DEFICIT ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

## 11. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Pension Discount	925	16,702
Strathclyde Pension fund adj	<u>18,000</u>	<u>7,000</u>
	<u>18,925</u>	<u>23,702</u>

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
<b>COST</b>			
As at 1st April 2016	27,068,851	1,247,059	28,315,910
Additions	681,046	154,406	835,452
Disposals	(45,283)	-	(45,283)
Schemes Completed	1,396,089	(1,396,089)	-
As at 31st March 2017	<u>29,100,703</u>	<u>5,376</u>	<u>29,106,079</u>
<b>DEPRECIATION</b>			
As at 1st April 2016	3,963,043	-	3,963,043
Charge for Year	812,130	-	812,130
Disposals	(13,217)	-	(13,217)
As at 31st March 2017	<u>4,761,956</u>	<u>-</u>	<u>4,761,956</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2017	<u>24,338,747</u>	<u>5,376</u>	<u>24,344,123</u>
As at 31st March 2016	<u>23,105,808</u>	<u>1,247,059</u>	<u>24,352,867</u>

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £615,146 (2016 - £491,664)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £1,719,608. The amount capitalised is £615,646, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £615,146 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £24,338,747 (2016 - £23,082,584).

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2016	42,319	1,124,579	254,885	1,421,783
Additions	-	-	20,977	20,977
Eliminated on Disposals	-	-	(5,910)	(5,910)
As at 31st March 2017	<u>42,319</u>	<u>1,124,579</u>	<u>269,952</u>	<u>1,436,850</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2016	32,369	22,492	204,307	259,168
Charge for year	4,975	22,492	28,948	56,415
Eliminated on disposal	-	-	(5,910)	(5,910)
As at 31st March 2017	<u>37,344</u>	<u>44,984</u>	<u>227,345</u>	<u>309,673</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2017	<u>4,975</u>	<u>1,079,595</u>	<u>42,607</u>	<u>1,127,177</u>
As at 31st March 2016	<u>9,950</u>	<u>1,102,087</u>	<u>50,578</u>	<u>1,162,615</u>

## 13. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	-	<u>1,846,805</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

## 14. COMMITMENTS UNDER OPERATING LEASES

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Other</b>		
Not later than one year	1,971	3,767
Later than one year and not later than five years	<u>1,772</u>	<u>3,742</u>

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	147,701	120,625
Less: Provision for Doubtful Debts	(74,152)	(59,879)
	<u>73,549</u>	<u>60,746</u>
Other Receivables	82,277	72,510
	<u>155,826</u>	<u>133,256</u>

## 16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	105,000	-
Trade Payables	91,543	499,146
Rent in Advance	84,632	93,819
Other Taxation and Social Security	16,845	16,352
Other Payables	287,985	76,570
Liability for Past Service Contributions	45,072	39,843
	<u>631,077</u>	<u>725,730</u>

At the balance sheet date there were pension contributions outstanding of £8,828 (2016 £8,935).

## 17. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contributions	183,928	228,336
Housing Loans	<u>13,549,348</u>	<u>12,811,156</u>
	<u>13,733,276</u>	<u>13,039,492</u>
<b>Housing Loans</b>		
Amounts due within one year	105,000	-
Amounts due in one year or more but less than two years	105,000	-
Amounts due in two years or more but less than five years	525,000	-
Amounts due in more than five years	<u>12,919,348</u>	<u>12,811,156</u>
	<u>13,654,348</u>	<u>12,811,156</u>
Less: Amount shown in Current Liabilities	105,000	-
	<u>13,549,348</u>	<u>12,811,156</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	45,072	39,843
Amounts due in one year or more but less than two years	45,232	43,396
Amounts due in two years or more but less than five years	138,696	141,285
Amounts due in more than five years	-	43,655
	<u>229,000</u>	<u>268,179</u>
Less: Amount shown in Current Liabilities	45,072	39,843
	<u>183,928</u>	<u>228,336</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Variable / Fixed
RBS	Standard Security over 815 properties	6.56%	Fixed
RBS	Standard Security over 815 properties	Libor+1.5%	Variable

All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans

The Scottish Government loan is unsecured and payable in two equal tranches of £340,000 in 2024 and 2028. No interest is charged on this loan. The Association has discounted this loan at 6.5% to value the loan in the financial statements at the amortised cost using the effective rate.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2015 - 2.64%)

Due to lenders at the year end	13,999,000	13,249,000
Effective interest rate adjustment	(344,652)	(437,844)
Loans at amortised cost using the effective interest rate	<u>13,654,348</u>	<u>12,811,156</u>

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
Balance as at 1st April 2016	14,370,997	14,370,997
Additions in the year	-	-
Transferred	-	-
Eliminated on disposal components and property	(10,254)	(10,254)
Balance as at 31st March 2017	<u>14,360,743</u>	<u>14,360,743</u>
<b>Amortisation</b>		
Balance as at 1st April 2016	2,128,009	2,128,009
Amortisation in year	373,930	373,930
Eliminated on disposal	(10,254)	(10,254)
Balance as at 31st March 2017	<u>2,491,685</u>	<u>2,491,685</u>
<b>Net book value</b>		
Balance as at 31st March 2017	<u>11,869,058</u>	<u>11,869,058</u>
Balance as at 31st March 2016	<u>12,242,988</u>	<u>12,242,988</u>
<b>Other Grants</b>		
Balance as at 1st April 2016	549,362	549,362
Balance as at 31st March 2017	<u>549,362</u>	<u>549,362</u>
<b>Amortisation</b>		
Balance as at 1st April 2016	88,170	88,170
Amortisation in year	12,719	12,719
Balance as at 31st March 2017	<u>100,889</u>	<u>100,889</u>
<b>Net book value</b>		
Balance as at 31st March 2017	<u>448,473</u>	<u>448,473</u>
Balance as at 31st March 2016	<u>461,192</u>	<u>461,192</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>12,317,531</u>	<u>12,317,531</u>

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

	2017 £	2016 £
Amounts due within one year	386,649	366,963
Amounts due after more than one year	11,930,882	12,337,217
	<u>12,317,531</u>	<u>12,704,180</u>



# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus / (deficit) to net cash inflow from operating activities</i>	2017	2016
	£	£
Operating Surplus / (Deficit)	239,872	(46,203)
Depreciation	868,545	826,679
Amortisation of Capital Grants	(386,649)	(366,963)
Change in debtors	(22,570)	152,440
Change in creditors	(244,061)	(537,242)
Gain on sale of other fixed assets	-	(25,621)
Unwinding of Discount on Pension Liability	(925)	1,920
Defined benefit pension scheme	(7,000)	14,000
Share Capital Written Off	(15)	(8)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	447,197	19,002
	<hr/>	<hr/>

## 20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2016	84
Issued in year	10
Cancelled in year	(15)
	<hr/>
At 31st March 2017	79
	<hr/>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

## 21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017	2016
	No.	No.
General Needs - Built by Association	191	182
General Needs - Purchased by Association	624	628
	<hr/>	<hr/>
	815	810
	<hr/>	<hr/>

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 22. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection is made at arm's length is under normal commercial terms.

Transactions with governing body members (and their close family) were as follows:

	£
Rent and factoring received from Tenants on the Committee and their close family members	58,244

At the year end total rent arrears and owed by the tenant members of the Committee (and their close family ) were £3,824

Members of the Committee who are tenants	4
Members of the Committee who are local councillors	2

## 23. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 2 Meiklehill Road, Hillhead, Kirkintilloch.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Kirlintilloch.

## 24. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £2,548 in the year by way of reimbursement of expenses. (2015 - £1,847). No remuneration is paid to Management Committee members in respect of their duties in the Association.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25. RETIREMENT BENEFIT OBLIGATIONS

### Scottish Housing Association Pension Scheme

Hillhead Housing Association 2000 Limited participated in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last final valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m equivalent to a past service funding level of 76%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £229000 (2016 - £268179). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Association made payments totalling £40,104 (2016: £38,941) to the pension scheme during the year.

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25 RETIREMENT BENEFIT OBLIGATIONS

### Strathclyde Pension Fund Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there was 1 active member of the scheme employed by the Association. Total pension contributions made by the Association for the year were £13,000. Gross pensionable salaries for the year were £34,000.

The following figures are prepared by the Actuaries in accordance with their understanding of Financial Reporting Standard 17 - 'Retirement Benefits' (FRS 17) and Guidance Note 36: Accounting for Retirement Benefits under Financial Reporting Standard 17 issued by the Institute and Faculty of Actuaries.

### Principal Actuarial Assumptions

Assumptions as at	2017	2016	2015
	%p.a.	%p.a.	%p.a.
Price increases	2.2	2.4	2.8
Salary increases	4.4	4.1	5.1
Pension increases	2.4	2.1	6.0
Discount rate	2.5	3.4	4.3
	2017	2016	
Employee members	1	1	
Pensioners	1	1	
	<u>2</u>	<u>2</u>	

### Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

Asset Class	2017	2016
	% p.a.	% p.a.
Equities	73	72
Bonds	12	16
Property	10	12
Cash	5	-
<b>Total</b>	<b>100</b>	<b>100</b>

### Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
	(Years)	(Years)
Current Pensioners	22.1	23.6
Future Pensioners	24.8	26.2

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25. RETIREMENT BENEFIT OBLIGATIONS

### Analysis of amount charged to the Income and Expenditure Account

	2017 £'000	2016 £'000
Charged to operating costs:		
Service cost	13	13
Past service cost	-	-
	<u>13</u>	<u>13</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(11)	(11)
Interest on pension scheme liabilities	16	16
	<u>5</u>	<u>5</u>
	16	16
<b>Net Charge to the Income and Expenditure Account</b>	<u>18</u>	<u>18</u>

### Amounts for the current and previous accounting periods:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Fair value of employer assets	383	322	364	347	325
Present value of defined benefit obligations	(580)	(483)	(536)	(478)	(439)
Deficit	(197)	(161)	(172)	(131)	(114)
Experience (losses) on assets	-	-	-	5	25
Experience gains on liabilities	-	-	10	-	-

### Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Actuarial gain/(loss) recognised in year	25,000	23,000	(37,000)	(10,000)	(17,000)
Cumulative actuarial gains	(75,000)	(100,000)	(123,000)	(86,000)	(76,000)

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25. RETIREMENT BENEFIT OBLIGATIONS

Analysis of projected amount to be charged to the Income & Expenditure Account for the

	£'000	% of pay
Projected current service cost	(16)	0
Interest on obligation	(14)	(0)
Expected return on plan assets	9	0
	<u>(21)</u>	<u>31.1%</u>

Contributions made by the Association for the year ended 31 March 2017 are estimated to be approximately £7,000

# HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26 PROVISIONS FOR LIABILITIES AND CHARGES

Strathclyde Pension Scheme	2017	2016
	£	£
Balance as at 1st April 2016	161,000	172,000
Increase / (decrease) in Provision	36,000	(11,000)
Balance as at 31st March 2017	<u>197,000</u>	<u>161,000</u>

## 27 GOING CONCERN

The financial statements show net current liabilities of £97,088 and net liabilities of £873,595. This is in line with the Association's business plan and is a result of the level of investment in housing stock. The Association is forecasting an improvement to the financial position in 2017/18 and the level of loss and net liabilities is compliant with its financial lending covenants.

