



Alexander Sloan
Accountants and Business Advisers

Hillhead Housing Association 2000 Limited

Report and Financial Statements

For the year ended 31 March 2018

Registered Housing Association No. HAC326

FCA Reference No. 2562R(S)

Scottish Charity No. SC029908

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

MANAGEMENT COMMITTEE

Clare Taylor	Chairperson
James Shovlin	Deceased
Lisa Scott	Secretary
Cllr Stewart MacDonald	
Robert Smith	
Mary Docherty	
David Wilson	
Cllr Susan Murray	
Stuart Niven	
Cllr John Jamieson	Appointed 04/10/17
Catherine McKay-McCann	Appointed 07/02/18

EXECUTIVE OFFICERS

Stephen MacIntyre	Director
Elsbeth Sharkey	Housing Manager

REGISTERED OFFICE

2 Meiklehill Road
Hillhead
Kirkintilloch
Glasgow
G66 2LA

EXTERNAL AUDITORS

Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Quinn Internal Auditors
55 Lady Place
Livingston
Edinburgh
EH54 6TB

BANKERS

RBS
116 Cowgate
Kirkintilloch
Glasgow
G66 1JX

FINANCE AGENTS

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

SOLICITORS

Brechin Tindall Oats
48 St Vincent St
Glasgow
G2 5HS

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2018.

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 SC029908.

Principal Activities

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

Review of Business and Future Developments

We are facing some challenges in the years ahead and must ensure that we have a healthy financial basis on which we can be prepared for the future. Accordingly we continue to review our long term projections annually and we are pleased to report that the financial outlook from this year's update continues to be very positive over the short/medium and longer term. We continue to manage our day to day finances prudently and successfully.

After many years of planned increases in our borrowing to finance our investment in the housing stock we have made our first capital repayment back to the bank which is in line with our Loan Agreement with RBS. The Association has made an operating surplus of £1,349,636. With our planned maintenance programme completed the amount invested in property maintenance totalled almost £600,000:

Careful financial management has enabled us to look ahead for further development opportunities and we have progressed plans for our next newbuild partnership with Barrat Homes. This will add 22 new homes for rent and will have 8 homes available for sale on a shared equity basis. We continue to ensure that we are well governed and are preparing for a review of the regulatory and governance framework that is being taken forward by the Scottish Housing Regulator.

During the year we have been drawing up our plans for our next major planned investment in the Association's estate which will be taken forward in 2018. Also in the pipeline is our proposed cycle path along the south bank of the Canal between Banks Road and Tintock. Having already secured half of the funding that is required we are working hard to find funders for the balance.

We continue to invest in our estate based services and in order to achieve better value for money we successfully recruited a second Estates Officer. This means we can be both more proactive and at the same time reduce our reliance on external contractors for litter pickups, empty homes clearances, and other minor repairs.

In January we retendered our tenancy support service and have appointed along with 3 other housing associations The Simon Community to deliver this service for the next 3 to 5 years. This service is well used and compliments the work that our welfare rights officers and housing officer do to support some of our most vulnerable tenants. The service is again partially funded by a grant from the Scottish Government.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Review of Business and Future Developments (Continued)

Our reactive repairs service continues to perform very well and during the year 2326 repairs were carried out, an average of just under 3 repairs per property. Of these 99.8% were completed within the target time for completion. Where we have been able to offer a repairs appointment service to tenants, 97.9% of these were kept. On average the time taken to respond to all non emergency repairs was 2.9 days, and 1.2hrs for all emergency repairs, a further improvement on last year. Feedback from tenants is also very high with 96.7% 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. Since November 2016 we are within a "Full Service Area" for Universal Credit (UC) claimants and by the end of March 2018 we had 157 tenants in receipt of UC. Despite an increase in gross rent arrears from 4.96% to 5.8% we have managed to maintain rent collection at a very high level with 98.8 % of rent due being collected.

Although the Right to buy scheme was ended in July 2016 a backlog in processing valuations by the Valuation Agency saw 15 homes being sold during the year the last financial year. There are no more sales in the pipeline and we now look forward to a period of growth as development opportunities arise.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

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 require 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 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 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 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

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

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 2018. 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 £150 (2017 - £550).

By order of the Management Committee

LISA SCOTT

Secretary

19 September 2018

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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 5 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 5 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes 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
Accountants and Business Advisers
Statutory Auditors
GLASGOW
19 September 2018



Alexander Sloan
Accountants and Business Advisers

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

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

Opinion

We have audited the financial statements of Hillhead Housing Association 2000 Limited ("the Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILLHEAD HOUSING ASSOCIATION 2000 LIMITED (Continued)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 4, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

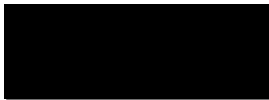
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILLHEAD HOUSING ASSOCIATION 2000 LIMITED (Continued)

- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
19 September 2018



Alexander Sloan
Accountants and Business Advisers

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
REVENUE	2	3,949,248	3,907,288
Operating Costs	2	(2,599,612)	(3,667,416)
OPERATING SURPLUS		1,349,636	239,872
Gain On Sale Of Housing Stock	7	114,937	38,506
Defined Benefit Pension Scheme - Other Finance Loss		-	(18,000)
Interest Receivable and Other Income		1,086	249
Interest Payable and Similar Charges	8	(727,658)	(810,612)
Other Finance Income / (Charges)	11	(1,072)	(925)
		(612,707)	(790,782)
SURPLUS / (DEFICIT) FOR THE YEAR	9	736,929	(550,910)
Other Comprehensive Income	24	197,000	(25,000)
TOTAL COMPREHENSIVE INCOME		933,929	(575,910)

The notes on pages 14 to 26 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12 (a)		23,718,817		24,344,123
Other Non-current Assets	12 (b)		1,062,233		1,127,177
			<u>24,781,050</u>		<u>25,471,300</u>
CURRENT ASSETS					
Receivables	14	368,923		155,826	
Cash at bank and in hand		<u>1,008,127</u>		<u>378,163</u>	
		1,377,050		533,989	
CREDITORS: Amounts falling due within one year	15	<u>(436,225)</u>		<u>(631,077)</u>	
NET CURRENT ASSETS / (LIABILITIES)			940,825		(97,088)
TOTAL ASSETS LESS CURRENT LIABILITIES			25,721,875		25,374,212
CREDITORS: Amounts falling due after more than one year	16		<u>(13,604,722)</u>		<u>(13,733,276)</u>
PENSION LIABILITY					
Strathclyde pension scheme	28			<u>(197,000)</u>	
					(197,000)
DEFERRED INCOME					
Social Housing Grants	18	(11,621,072)		(11,869,058)	
Other Grants	18	<u>(435,754)</u>		<u>(448,473)</u>	
			<u>(12,056,826)</u>		<u>(12,317,531)</u>
NET ASSETS / (LIABILITIES)			<u>60,327</u>		<u>(873,595)</u>
EQUITY					
Share Capital	19		72		79
Revenue Reserves			60,255		(676,674)
Pension Reserve			-		(197,000)
			<u>60,327</u>		<u>(873,595)</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 19 September 2018.

Chair

Committee Member

The notes on pages 14 to 26 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
Net cash inflow from operating activities	17		1,387,761		447,197
Investing Activities					
Acquisition and Construction of Properties		(286,805)		(835,452)	
Purchase of Other Fixed Assets		(25,162)		(20,977)	
Social Housing Grant Received		126,613		-	
Social Housing Grant Repaid		-		-	
Proceeds on Disposal of Properties		237,321		70,572	
Net cash inflow / (outflow) from investing activities			51,967		(785,857)
Financing Activities					
Loan Advances Received		-		750,000	
Interest Received on Cash and Cash Equivalents		1,086		249	
Interest Paid on Loans		(705,860)		(717,420)	
Loan Principal Repayments		(105,000)		-	
Share Capital Issued		10		10	
Net cash (outflow) / inflow from financing activities			(809,764)		32,839
Increase / (decrease) in cash			629,964		(305,821)
Opening Cash & Cash Equivalents			378,163		683,984
Closing Cash & Cash Equivalents			<u>1,008,127</u>		<u>378,163</u>
Cash and Cash equivalents as at 31 March					
Cash			1,008,127		378,163
			<u>1,008,127</u>		<u>378,163</u>

The notes on pages 14 to 26 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Pension Reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2016				
Issue of Shares	84	(161,000)	(136,764)	(297,680)
Cancellation of Shares	10	-	-	10
Other comprehensive income - pension scheme	(15)	-	-	(15)
Other comprehensive income - pension scheme	-	(25,000)	-	(25,000)
Deficit for the year	-	(11,000)	(539,910)	(550,910)
Balance as at 31 March 2017	79	(197,000)	(676,674)	(873,595)
Balance as at 1 April 2017				
Issue of Shares	79	(197,000)	(676,674)	(873,595)
Cancellation of Shares	10	-	-	10
Other comprehensive income - pension scheme	(17)	-	-	(17)
Other comprehensive income - pension scheme	-	197,000	-	197,000
Surplus for the year	-	-	736,929	736,929
Balance as at 31 March 2018	72	-	60,255	60,327

The notes on pages 14 to 26 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
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 the asset to which it relates.

Retirement Benefits

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

The Association accounts 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 the 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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:

Asset Category	Depreciation Rate
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 non-current asset disposals and any gain or 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 Board of Management to exercise judgement in applying the Association's 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, are 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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.

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management 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 Board of Management, 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 2018 the Association received details from the Pension Trust of the 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 feels 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 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	3,795,660	2,381,372	1,414,288	3,781,484	3,453,148	328,336
Other Activities	4	153,588	218,240	(64,652)	125,804	214,268	(88,464)
Total		3,949,248	2,599,612	1,349,636	3,907,288	3,667,416	239,872

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2018 Total £	2017 Total £
Revenue from Lettings			
Rent receivable net of service charges	3,374,932	3,374,932	3,360,982
Gross income from rent and service charges	3,374,932	3,374,932	3,360,982
Less: Rent losses from voids	15,590	15,590	20,771
Net Rents Receivable	3,359,342	3,359,342	3,340,211
Grants released from deferred income	387,318	387,318	386,647
Revenue grants from Scottish Ministers	49,000	49,000	54,626
Total turnover from affordable letting activities	3,795,660	3,795,660	3,781,484
Expenditure on affordable letting activities			
Management and maintenance administration costs	1,003,423	1,003,423	980,196
Planned and cyclical maintenance, including major repairs	243,900	243,900	1,280,016
Reactive maintenance costs	303,449	303,449	350,207
Bad Debts - rents and service charges	20,871	20,871	30,599
Depreciation of affordable let properties	809,729	809,729	812,130
Operating costs of affordable letting activities	2,381,372	2,381,372	3,453,148
Operating surplus on affordable letting activities	1,414,288	1,414,288	328,336
2017		328,336	

The figure of £243,900 (2017 - £1,280,016) for planned & cyclical maintenance includes major repairs of £58,230 (2017 - £1,101,462).

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 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 Grants	Other Income	Total Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£
Wider role activities	48,000	28,285	3,814	80,099	100,319	(20,220)	(46,969)
Welfare Rights	-	42,557	11,664	54,221	99,175	(44,954)	(42,980)
Agency or management services	-	-	18,746	18,746	18,746	-	-
Rechargeable repairs	-	-	522	522	-	522	1,485
Total From Other Activities	48,000	70,842	34,746	153,588	218,240	(64,652)	(88,464)
2017	51,061	41,041	33,702	125,804	214,268	(88,464)	

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
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.

	2018	2017
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>62,906</u>	<u>62,000</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>4,687</u>	<u>4,546</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>62,906</u>	<u>62,000</u>
Total Emoluments paid to key management personnel	<u>67,593</u>	<u>66,545</u>

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

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

6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>19</u>	<u>19</u>
The average total number of Employees employed during the year was:	<u>22</u>	<u>22</u>
Staff Costs were:	£	£
Wages and Salaries	646,456	629,971
Social Security Costs	57,448	57,689
Other Pension Costs	44,921	45,368
	<u>748,825</u>	<u>733,028</u>

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	237,321	70,572
Cost of Sales	122,384	32,066
Gain On Sale Of Housing Stock	<u>114,937</u>	<u>38,506</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	705,860	717,420
Effective interest rate adjustment	<u>21,798</u>	<u>93,192</u>
	<u>727,658</u>	<u>810,612</u>

9. SURPLUS / (DEFICIT) FOR THE YEAR

	2018	2017
	£	£
Surplus / (Deficit) For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	879,833	868,545
Auditors' Remuneration - Audit Services	8,334	9,000
Operating Lease Rentals - Other	4,512	4,179
Loss on sale of fixed assets	<u>114,937</u>	<u>38,506</u>

10. TAX ON SURPLUS / (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

	2018	2017
	£	£
Unwinding of Discounted Liabilities	<u>1,072</u>	<u>925</u>

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 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 £
COST			
As at 1 April 2017	29,100,703	5,376	29,106,079
Additions	238,449	68,358	306,807
Disposals	<u>(170,415)</u>	<u>-</u>	<u>(170,415)</u>
As at 31 March 2018	<u>29,168,737</u>	<u>73,734</u>	<u>29,242,471</u>
DEPRECIATION			
As at 1 April 2017	4,761,956	-	4,761,956
Charge for Year	809,729	-	809,729
Disposals	<u>(48,031)</u>	<u>-</u>	<u>(48,031)</u>
As at 31 March 2018	<u>5,523,654</u>	<u>-</u>	<u>5,523,654</u>
NET BOOK VALUE			
As at 31 March 2018	<u>23,645,083</u>	<u>73,734</u>	<u>23,718,817</u>
As at 31 March 2017	<u>24,338,747</u>	<u>5,376</u>	<u>24,344,123</u>

Additions to housing properties include capitalised development administration costs of £15,544 (2017 - £nil) and capitalised major repair costs to existing properties of £50,156 (2017 - £615,146).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £597,505 (2017 - £1,719,608). The amount capitalised is £50,156 (2017 - £615,646) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £50,156 (2017 - £615,646) and improvement of £nil (2017 - £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £23,645,083 (2017 - £24,338,747).

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Van £	Total £
COST				
As at 1 April 2017	1,124,579	269,952	42,319	1,436,850
Additions	-	25,162	-	25,162
Transfer to Housing Properties	(20,002)	-	-	(20,002)
Eliminated on Disposals	-	(8,817)	-	(8,817)
As at 31 March 2018	<u>1,104,577</u>	<u>286,297</u>	<u>42,319</u>	<u>1,433,193</u>
AGGREGATE DEPRECIATION				
As at 1 April 2017	44,984	227,345	37,344	309,673
Charge for year	21,292	43,837	4,975	70,104
Eliminated on Disposals	-	(8,817)	-	(8,817)
As at 31 March 2018	<u>66,276</u>	<u>262,365</u>	<u>42,319</u>	<u>370,960</u>
NET BOOK VALUE				
As at 31 March 2018	<u>1,038,301</u>	<u>23,932</u>	<u>-</u>	<u>1,062,233</u>
As at 31 March 2017	<u>1,079,595</u>	<u>42,607</u>	<u>4,975</u>	<u>1,127,177</u>

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	2018	2017
	£	£
Other		
Not later than one year	2,152	1,971
Later than one year and not later than five years	<u>5,320</u>	<u>1,772</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 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	171,907	147,701
Less: Provision for Doubtful Debts	(84,875)	(74,152)
	<u>87,032</u>	<u>73,549</u>
Other Receivables	281,891	82,277
	<u>368,923</u>	<u>155,826</u>

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing Loans	105,000	105,000
Trade Payables	30,474	91,543
Rent Received in Advance	75,949	84,632
Other Taxation and Social Security	16,365	16,845
Other Payables	162,013	287,985
Liability for Past Service Contributions	46,424	45,072
	<u>436,225</u>	<u>631,077</u>

At the balance sheet date there were pension contributions outstanding of £11,601 (2017 - £8,828).

16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Liability for Past Service Contributions	138,576	183,928
Housing Loans	13,466,146	13,549,348
	<u>13,604,722</u>	<u>13,733,276</u>
Housing Loans		
Amounts due within one year	105,000	105,000
Amounts due in one year or more but less than two years	175,000	105,000
Amounts due in two years or more but less than five years	560,000	525,000
Amounts due in more than five years	12,731,146	12,919,348
	<u>13,571,146</u>	<u>13,654,348</u>
Less: Amount shown in Current Liabilities	105,000	105,000
	<u>13,466,146</u>	<u>13,549,348</u>
Liability for Past Service Contributions		
Amounts due within one year	46,424	45,072
Amounts due in one year or more but less than two years	47,105	45,232
Amounts due in two years or more but less than five years	91,471	138,696
	<u>185,000</u>	<u>229,000</u>
Less: Amount shown in Current Liabilities	46,424	45,072
	<u>138,576</u>	<u>183,928</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
RBS	Standard security over 802 properties	6.6%	2031	Fixed
RBS	Standard security over 802 properties	Libor + 1.5%	2026	Variable

Interest is payable on the Association's bank loans on a quarterly basis with the principal being repaid in line with the repayment schedules in the loan agreement.

A Scottish Government loan of £680,000 is unsecured and payable in two equal tranches in 2024 and 2034. 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 1.51% (2017 - 1.06%).

Due to lenders at the year end	13,894,000	13,999,000
Effective interest rate adjustment	(322,854)	(344,652)
Loans at amortised cost using the effective interest rate	<u>13,571,146</u>	<u>13,654,348</u>

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to net cash inflow from operating activities

	2018 £	2017 £
Operating Surplus	1,349,636	239,872
Depreciation	879,833	868,545
Amortisation of Capital Grants	(387,318)	(386,649)
Change in debtors	(213,097)	(22,570)
Change in creditors	(240,204)	(244,061)
Unwinding of Discount on Pension Liability	(1,072)	(925)
Defined benefit pension scheme - after finance loss	-	(7,000)
Share Capital Written Off	(17)	(15)
Net cash inflow from operating activities	<u>1,387,781</u>	<u>447,197</u>

18. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
Social Housing Grants			
As at 1 April 2017	14,360,743	-	14,360,743
Additions in the year	52,879	73,734	126,613
Eliminated on disposal of components and property	(21,436)	-	(21,436)
As at 31 March 2018	<u>14,392,186</u>	<u>73,734</u>	<u>14,465,920</u>
Amortisation			
As at 1 April 2017	2,491,685	-	2,491,685
Amortisation in year	374,599	-	374,599
Eliminated on disposal	(21,436)	-	(21,436)
As at 31 March 2018	<u>2,844,848</u>	<u>-</u>	<u>2,844,848</u>
Net Book Value			
As at 31 March 2018	<u>11,547,338</u>	<u>73,734</u>	<u>11,621,072</u>
As at 31 March 2017	<u>11,869,058</u>	<u>-</u>	<u>11,869,058</u>
Other Grants			
As at 1 April 2017	549,362	-	549,362
As at 31 March 2018	<u>549,362</u>	<u>-</u>	<u>549,362</u>
Amortisation			
As at 1 April 2017	100,889	-	100,889
Amortisation in year	12,719	-	12,719
As at 31 March 2018	<u>113,608</u>	<u>-</u>	<u>113,608</u>
Net Book Value			
As at 31 March 2018	<u>435,754</u>	<u>-</u>	<u>435,754</u>
As at 31 March 2017	<u>448,473</u>	<u>-</u>	<u>448,473</u>
Total grants net book value as at 31 March 2018	<u>11,983,092</u>	<u>73,734</u>	<u>12,056,826</u>
Total grants net book value as at 31 March 2017	<u>12,317,531</u>	<u>-</u>	<u>12,317,531</u>

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

	2018 £	2017 £
Amounts due within one year	387,318	386,649
Amounts due in one year or more	<u>11,669,508</u>	<u>11,930,882</u>
	<u>12,056,826</u>	<u>12,317,531</u>

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018	2017
	£	£
As at 1 April 2017	79	84
Issued in year	10	10
Cancelled in year	(17)	(15)
At 31 March 2018	<u>72</u>	<u>79</u>

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.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018	2017
	No.	No.
General Needs - Built by Association	191	191
General Needs - Purchased by Association	611	624
	<u>802</u>	<u>815</u>

21. 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 positions to their advantage.

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

Transactions with Management Committeemembers (and their close family) were as follows:

	2018	2017
	£	£
Rent received from tenants on the Management Committee and their close	<u>37,470</u>	<u>58,244</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £1,624 (2017 - £3,824).

Members of the Management Committee who are tenants	3	4
Members of the Management Committee who are local councillors	3	2

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. 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.

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 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 employer's 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 £185,000 (2017 - £229,000). 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 1.51% (2017 - 1.06%).

The Association made payments totalling £45,072 (2017- £40,104) to the pension scheme during the year.

Strathclyde Pension Fund Defined Benefit Scheme

During the year, Hillhead Housing Association's obligation under the Strathclyde Pension Fund Defined Benefit Scheme has been extinguished due to the last remaining employee leaving the scheme. The liability accrued to date has been transferred to East Dumbartonshire Council.