

**KINGSRIDGE CLEDDANS HOUSING ASSOCIATION
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2018

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2018

INDEX

1. Advisers and Registered Office

- 2 - 4. Report of the Management Committee

5. Committee Statement on the Association's System of Internal Financial Control

6. Report by the Independent Auditors to the Committee on Corporate Governance Matters

- 7 - 9. Report of the Independent Auditors

10. Statement of Comprehensive Income

11. Statement of Financial Position

12. Statement of Changes in Equity

13. Statement of Cash Flows

- 14 - 24. Notes to the Financial Statements

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2018

Auditors

Armstrongs, Chartered Accountants
142 West Nile Street
Glasgow
G1 2RQ

Bankers

Bank of Scotland
19 Roman Road
Bearsden
Glasgow
G61 2SP

Legal advisors

T C Young
Solicitors
7 West George Street
Glasgow
G2 1BA

Registered Office

KCEDG Commercial Centre
Unit 2/3
Ladyloan Place
Glasgow
G15 8LB

Registration information

The Scottish Housing Regulator
Registered number:

Housing (Scotland) Act 2010
HCB 234

Recognised Scottish Charity:

SC038236

Financial Conduct Authority:

Co-operative and Community Benefit Societies Act 2014
Registration number: 2378R(S)

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2018

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2018.

Principal activity

The principal activity of the Association as a landlord and developer is the provision of good quality homes at affordable rents and prices for people in housing need.

Review of business

As the financial statements demonstrate, the Association's financial position indicates net assets of £4,190,354 (2017 - £3,765,124). The surplus for the year was £425,233 (2017 - £395,962).

During the year to 31st March 2018 the Association made good progress in a number of key areas of business activity.

A comprehensive training programme for our governing body members was delivered in partnership with other Drumchapel RSL's to ensure that our management committee will meet the requirements of the Regulatory Standards of Governance. A number of training sessions were delivered by external training consultants, covering a broad range of topics.

We replaced external doors and windows in 18 properties in our Inchfad Drive Phase 3 Development in accordance with recommendations made in our stock condition survey report, as components had reached the end of their life cycle.

We carried out internal audits in reactive maintenance and procurement in order to assess our compliance with legislation, our current policies and best practice.

Our 5 year and 30 year budget projections continue to demonstrate our medium/long term viability under reasonable assumptions. The Association is aware of the need for effective financial performance based on sound management practice. Our financial cost ratios are comparable with or better than peer group and national medians.

Our Welfare Benefits Advice Service continues to be well used and our adviser had another successful year and assisted a number of residents to claim various financial benefits, resulting in financial gains totalling £54,422.

A comprehensive stock condition survey was carried out during the year in order to assess the condition of our housing stock in terms of planned renewal cycles and to provide accurate financial information on future planned maintenance and major repair requirements over a 30 year planning period.

The Association strive for continuous improvement and ongoing review of key business objectives remains an ongoing priority. A comparison of key performance indicators against national averages highlighted that our performance was comparable or better than national medians. Performance improved across the board in all areas in comparison to 2017/18 outturn.

Changes in fixed assets

Details of changes in fixed assets are set out in note 12.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

The Management Committee and Executive Officer

Executive Officer

J. Docherty

Management Committee

K. McLerie	(Chairperson)
J. Barclay	(Vice Chairperson)
J. Atkins	(Secretary)
E. Shaw	(Treasurer)
C. Wards	
R. Wards	
C. McManus	
M. McKenzie	(Appointed 15 August 2017)
R. Wason	(Appointed 15 August 2017)
S. McLeod	(Resigned 25 July 2017)

At the Annual General Meeting one third of all serving committee members will retire from office and may stand for re-election if eligible. No nominations for new committee members were received at the AGM in August 2017 and the existing members were re-elected.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and, although not having the legal status of a Director, acts as an executive within the authority delegated by the Committee.

Statement of Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the 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 income and expenditure of the Association for the year ended on that date. In preparing these financial statements, the Committee is required to:-

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

The 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 it to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

Corporate governance

The Association has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in 1992.

In accordance with the requirements of the Scottish Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Association's compliance with those paragraphs of the Code of Best Practice required to be reviewed by them. The auditors have also confirmed that, in their opinion, with respect to the Statement on Internal Financial Control, the Management Committee have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Management Committee and such statement is not inconsistent with the information of which they were aware from their audit work on the financial statements.

Statement as to disclosure of information to auditors

So far as the Committee are aware, there is no relevant audit information of which the Association's auditors are unaware, and each Committee member has taken all the steps that he or she ought to have taken as a Committee member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

A resolution to re-appoint the auditors, Armstrongs, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Committee


Committee Member

Dated : 

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

COMMITTEE STATEMENT ON THE ASSOCIATION'S

SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31ST MARCH 2018

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

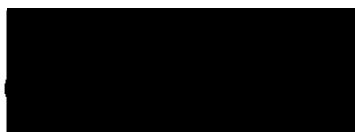
- . The reliability of financial information used within the Association or for publication;
- . The maintenance of proper accounting records;
- . The safeguarding of assets against unauthorised use or disposition.

It is the 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 misstatement or loss. Key elements include ensuring that:

- . formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- . experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks, financial objectives and the progress towards financial plans set for the year and the medium term;
- . regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budgets 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 relevant sub-committees comprising Committee members and others;
- . the Committee review reports from management, from staff and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association; and
- . formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2018 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Committee



Committee Member

Dated :



KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED
REPORT BY THE INDEPENDENT AUDITORS TO THE COMMITTEE
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31ST MARCH 2018

Corporate governance

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

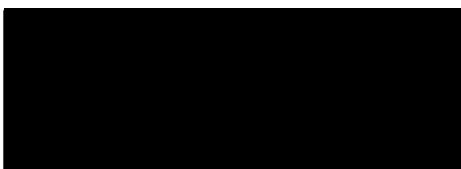
Basis of opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page five has provided the disclosures required by the relevant Regulatory Standards within 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 Committee members and officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the Regulatory Standards contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.


Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Date : 

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED**

Opinion

We have audited the financial statements of Kingsridge Cleddans Housing Association Limited for the year ended 31st March 2018 which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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 31st 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 properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee members have 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 in the Management Committee's report, but does not include the financial statements and our auditor's opinion thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception

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

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account 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 set out on page three, the Management Committee is 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 determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are 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 members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 it 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.

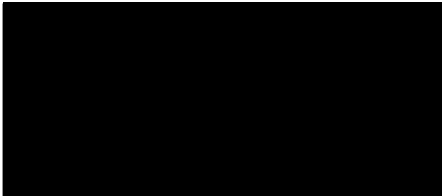
As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 the 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 members.
- conclude on the appropriateness of the Management Committees' 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED**

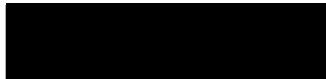
Auditor's responsibilities for the audit of the financial statements (continued)

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.



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Dated :



KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2018

	Notes	2018	2017
		£	£
Turnover	2	1,503,598	1,532,168
Operating costs	2	1,073,404	1,092,249
Operating surplus	2	<u>430,194</u>	<u>439,919</u>
Gain/(Loss) on sale of housing stock	6	-	(22,021)
Interest receivable and other income		6,354	11,211
Interest payable and similar charges	7	(11,155)	(30,547)
Other finance charges	8	(160)	(2,600)
Surplus before tax		<u>425,233</u>	<u>395,962</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>425,233</u></u>	<u><u>395,962</u></u>

The results for the year relate wholly to continuing activities.

There is no difference between the surplus for the year stated above and the historical cost equivalent.

The notes form part of these financial statements.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible assets - social housing	12a	13,617,923	13,961,267
Other tangible assets - plant and equipment	12b	<u>5,229</u>	<u>6,777</u>
		<u>13,623,152</u>	<u>13,968,044</u>
 Current assets			
Debtors	13	73,739	60,899
Cash at bank and in hand		<u>1,532,877</u>	<u>1,313,937</u>
		<u>1,606,616</u>	<u>1,374,836</u>
 Creditors: amounts falling due within one year	14	(343,191)	(389,458)
 Net current assets		<u>1,263,425</u>	<u>985,378</u>
 Total assets less current liabilities		14,886,577	14,953,422
<hr/> Creditors : amounts falling due after more than one year	15	(1,190,706)	(1,304,350)
 Deferred income			
Deferred capital grants	16	(9,505,517)	(9,883,948)
 Net assets		<u>4,190,354</u>	<u>3,765,124</u>
 Equity			
Share capital	17	76	79
Revenue reserves		4,190,278	3,765,045
		<u>4,190,354</u>	<u>3,765,124</u>

These financial statements were approved by the Management Committee on [REDACTED] and signed on their behalf by:

Chairperson [REDACTED]

[REDACTED]
Committee Member

[REDACTED]
Committee Member

The notes form part of these financial statements.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2018

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2016	82	3,369,083	3,369,165
Cancellation of shares	(4)	-	(4)
Issue of shares	1	-	1
Surplus for year	-	395,962	395,962
Balance as at 31st March 2017	<u>79</u>	<u>3,765,045</u>	<u>3,765,124</u>
Balance as at 1st April 2017	79	3,765,045	3,765,124
Cancellation of shares	(5)	-	(5)
Issue of shares	2	-	2
Surplus for year	-	425,233	425,233
Balance as at 31st March 2018	<u>76</u>	<u>4,190,278</u>	<u>4,190,354</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2018

	Notes	2018 £	2017 £
Net cash generated from operating activities	1	<u>452,859</u>	<u>451,922</u>
Cash flow from investing activities			
Payments to acquire and develop housing properties		(94,769)	(248,631)
Proceeds from sale of housing properties		-	89,625
Purchase of other fixed assets		(342)	(215)
Grants repaid		(35,959)	(79,214)
Interest received		7,992	14,855
Net cash outflow from investing activities		<u>(123,078)</u>	<u>(223,580)</u>
Cash flow from financing activities			
Interest paid		(10,889)	(28,776)
Repayments of borrowings		(99,954)	(703,469)
Issue of share capital		2	1
Net cash outflow from financing activities		<u>(110,841)</u>	<u>(732,244)</u>
Net change in cash and cash equivalents		218,940	(503,902)
Cash and cash equivalents at 1 st April 2017		1,313,937	1,817,839
Cash and cash equivalents at 31st March 2018		<u>1,532,877</u>	<u>1,313,937</u>

Notes

1) Cash flow from operating activities		2018	2017
		£	£
Surplus for the year		425,233	395,962
Adjustments for non cash items			
Depreciation of tangible fixed assets		440,003	456,002
Decrease/(increase) in debtors		(14,478)	(7,844)
Increase/(decrease) in creditors		(24,424)	(8,505)
Pension costs less contributions payable		160	2,600
Forfeited share capital		(5)	(4)
Release of deferred Government Capital Grant		(378,431)	(427,646)
Carrying amount of tangible fixed asset disposals		-	111,646
Adjustments for investing or financing activities			
Proceeds from the sale of tangible fixed assets		-	(89,625)
Interest payable		11,155	30,547
Interest received		(6,354)	(11,211)
Net cash generated from operating activities		<u>452,859</u>	<u>451,922</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2018

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

Kingsridge Cleddans Housing Association Limited is a public benefit entity (PBE).

Turnover

Turnover represents rental and service charge income receivable, fees receivable, other income, revenue grants receivable from the Scottish Government, local authorities and other agencies.

Housing properties

Housing Properties are stated at cost less accumulated depreciation. Properties other than heritable land are depreciated at rates calculated to reduce the net book value of each component of the property to its residual value on a straight line basis, over the expected remaining life of the component. The estimated remaining lives are reviewed on a regular basis.

Component (Useful economic life)

Structure (50 years)

Windows (17 to 28 years)

Central heating boilers (17 to 34 years)

Radiators and pipework (17 to 36 years)

Kitchens (15 to 22 years)

Bathrooms (17 to 28 years)

Rewiring (17 to 28 years)

Reviews for impairment of housing properties are carried out regularly and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Statement of Comprehensive Income.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at annual rates :-

Furniture and Fittings	- 10% per annum
Office Equipment	- 25% per annum

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

1. Principal accounting policies (Continued)

Social housing grants and other grants

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.

Capitalisation of interest

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

Development administration costs

Development costs incremental to the other costs of the Association have been capitalised.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

The surplus or deficit is shown on the face of the Statement of Comprehensive Income.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income in the period to which they relate.

Cyclical and planned maintenance

The costs of cyclical and planned maintenance are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Pension costs

The Association participates in the centralised Scottish Housing Associations Pension Scheme ("The Scheme") and retirement benefits to employees are funded by contributions from all participating employers and employees. 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. In accordance with FRS 102 the payments in respect of the past service deficit plan have been discounted and recognised as a provision within the financial statements.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

1. Principal accounting policies (Continued)

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 Kingsridge Cleddans Housing Association Limited'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, is disclosed below:

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.

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.

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.

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.

Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

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

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

2. Particulars of turnover, cost of sales, operating costs and operating surpluses / (deficits)

Income and expenditure from lettings	Turnover	2018 Operating costs	Operating surplus / (deficit)
	£	£	£
Social lettings	1,482,458	1,054,025	428,433
Other activities	21,140	19,379	1,761
Total	1,503,598	1,073,404	430,194
	Turnover	2017 Operating costs	Operating surplus / (deficit)
	£	£	£
Social lettings	1,504,776	1,067,317	437,459
Other activities	27,392	24,932	2,460
Total	1,532,168	1,092,249	439,919

3. Particulars of income and expenditure from social letting activities

	General needs £	Supported accommod £	Shared ownership £	2018 Total £	2017 Total £
Income from letting					
Rent receivable net of identifiable service charges	1,029,023	12,235	19,683	1,060,941	1,041,881
Service charges	16,595	28,615	-	45,210	39,469
Gross income from rents and service charges	1,045,618	40,850	19,683	1,106,151	1,081,350
Less : voids	(2,124)	-	-	(2,124)	(4,220)
	1,043,494	40,850	19,683	1,104,027	1,077,130
Release of deferred capital grant	364,760	2,564	11,107	378,431	427,646
Total turnover from social letting activities	1,408,254	43,414	30,790	1,482,458	1,504,776
Expenditure on lettings					
Management and maintenance admin costs	354,178	13,837	6,667	374,682	378,311
Reactive maintenance	90,957	-	-	90,957	110,528
Planned maintenance	99,888	-	-	99,888	101,683
Bad debts - rents and service charges	5,175	-	-	5,175	(16,256)
Depreciation of social housing	418,056	2,997	17,060	438,113	453,582
Service charges	16,595	28,615	-	45,210	39,469
Total expenditure on lettings	984,849	45,449	23,727	1,054,025	1,067,317
Operating surplus for social lettings for 2018	423,405	(2,035)	7,063	428,433	437,459
Operating surplus for social lettings for 2017	433,237	(1,749)	5,971	437,459	

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Scottish Ministers' Grants £	Other Income £	Total Turnover £	Operating Costs £	Operating Surplus /(Deficit) 2018 £	Operating Surplus /(Deficit) 2017 £
Factoring services	-	330	330	330	-	-
Medical Adaptations	20,810	-	20,810	19,049	1,761	2,460
Total for other activities for 2018	<u>20,810</u>	<u>330</u>	<u>21,140</u>	<u>19,379</u>	<u>1,761</u>	<u>2,460</u>
Total for other activities for 2017	<u>27,062</u>	<u>330</u>	<u>27,392</u>	<u>24,932</u>	<u>2,460</u>	

5. Surplus for year

Surplus is stated after charging (crediting):-

	2018 £	2017 £
Operating lease	12,786	12,531
Amortisation of capital grants	(378,431)	(427,646)
Depreciation/loss on sale - tangible other fixed assets	1,890	2,420
Depreciation - tangible land & buildings fixed assets	438,113	453,582
Auditors' remuneration (excl. VAT)	4,400	4,200
Bad debts	<u>5,175</u>	<u>(16,256)</u>

6. Gain/(Loss) on sale of housing stock

	2018 £	2017 £
Sales proceeds	-	92,000
Cost of sales	-	114,021
Gain/(loss) on sale of housing stock	<u>-</u>	<u>(22,021)</u>

7. Interest payable and similar charges

	2018 £	2017 £
On property loans payable by instalments	<u>11,155</u>	<u>30,547</u>

8. Other finance income / charges

	2018 £	2017 £
Unwinding of discounted liabilities and remeasurement	<u>160</u>	<u>2,600</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

9. Directors' Emoluments

The remuneration paid to the directors (defined as the Committee of Management and Chief Executive of Kingsridge Cleddans Housing Association Limited) was:-

	2018	2017
	£	£
Total emoluments payable to the Chief Executive (including pension contributions and benefits in kind)	<u>60,874</u>	<u>59,610</u>
Total emoluments payable to the Chief Executive (excluding pension contributions) amounted to	<u>54,085</u>	<u>53,103</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax	<u>48</u>	<u>250</u>

Contributions totalling £6,789 (2017 - £6,507) were made to the pension scheme of the Chief Executive. The Chief Executive's pension arrangements are on the same basis as certain other members of staff, with no enhanced or special terms.

	2018	2017
Total number of key management personnel with emoluments between £60,000 - £70,000	<u>1</u>	<u>0</u>

None of the Committee members received any remuneration during the year.

10. Employee information

	2018	2017
The average full time equivalent of persons employed during the year was:-	<u>5</u>	<u>5</u>
	£	£
Staff costs (including Executive Emoluments)		
Wages and salaries	197,826	192,657
Social security costs	18,160	15,818
Pension contributions	21,769	24,044
	<u>237,755</u>	<u>232,519</u>

11. Tax on surplus on ordinary activities

The Association was recognised as a charity with effect from 15th May 2007 and as such is no longer subject to taxation.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

12. **Non-current assets**

a) **Housing Properties**

	Housing property held for letting £	Shared ownership held for letting £	Total £
Cost			
As at 1 st April 2017	19,661,300	853,003	20,514,303
Transfers	-	-	-
Additions	94,769	-	94,769
Disposals	(32,030)	-	(32,030)
As at 31 st March 2018	<u>19,724,039</u>	<u>853,003</u>	<u>20,577,042</u>
Depreciation			
As at 1 st April 2017	6,416,555	136,481	6,553,036
Transfers	-	-	-
Provided during year	421,053	17,060	438,113
Eliminated on disposal	(32,030)	-	(32,030)
As at 31 st March 2018	<u>6,805,578</u>	<u>153,541</u>	<u>6,959,119</u>
Net book value at 31.03.18	<u>12,918,461</u>	<u>699,462</u>	<u>13,617,923</u>
Net book value at 31.03.17	<u>13,244,745</u>	<u>716,522</u>	<u>13,961,267</u>

No administration costs were capitalised during the year (2017 - £Nil).

Net book value of properties under security at 31st March 2018 was £2,034,623 (2017 - £2,051,105).

All properties are freehold.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

12. **Non-current assets**

b) **Other tangible assets**

	Furniture & fittings £	Office equipment £	Total £
Cost			
As at 1 st April 2017	43,440	23,128	66,568
Additions during year	-	342	342
Disposals in year	-	(701)	(701)
As at 31 st March 2018	<u>43,440</u>	<u>22,769</u>	<u>66,209</u>
Aggregate depreciation			
As at 1 st April 2017	37,844	21,947	59,791
Provided in year	1,236	654	1,890
Disposals in year	-	(701)	(701)
As at 31 st March 2018	<u>39,080</u>	<u>21,900</u>	<u>60,980</u>
Net book value at 31.03.18	<u>4,360</u>	<u>869</u>	<u>5,229</u>
Net book value at 31.03.17	<u>5,596</u>	<u>1,181</u>	<u>6,777</u>

13. **Trade and other receivables**

	2018 £	2017 £
Rental arrears	75,155	63,569
Less: provision for doubtful debts	<u>24,693</u>	<u>24,312</u>
	50,462	39,257
Other receivables	<u>23,277</u>	<u>21,642</u>
	<u>73,739</u>	<u>60,899</u>

Housing benefit in the sum of £21,453 (2017 - £15,491) is included within rent arrears.

14. **Creditors - Amounts falling due within one year**

	2018 £	2017 £
Current instalments of loans	89,859	88,887
Trade payables	8,990	13,527
Other creditors	14,305	14,420
Pension due within one year	12,879	12,504
Rent in advance	17,961	16,593
HAG repayable	77,321	113,280
Accruals and deferred income	121,876	130,247
	<u>343,191</u>	<u>389,458</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

15. Creditors - Amounts falling due after more than one year

	2018	2017
	£	£
Loans	1,152,390	1,253,315
Liability for past service contributions	<u>38,316</u>	<u>51,035</u>
	<u>1,190,706</u>	<u>1,304,350</u>

The Association has four loan agreements in place with Nationwide at 31st March 2018. These facilities shall be fully repaid between 2027 and 2032 and are secured over 143 units with an existing use value of £3.8m.

Interest rates charged on these facilities is currently 1.2% (2017 - 0.8%).

The above creditors are due as follows:

	2018	2017
	£	£
Due within one year	<u>89,859</u>	<u>88,887</u>
Between one and two years	90,904	89,609
Between two and five years	279,103	273,218
In five years or more	<u>782,382</u>	<u>890,488</u>
	<u>1,152,389</u>	<u>1,253,315</u>

The liability for 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%).

The above creditors are due as follows:

	2018	2017
	£	£
Due within one year	<u>12,879</u>	<u>12,504</u>
Between one and two years	13,068	12,744
Between two and five years	25,248	38,291
In five years or more	<u>-</u>	<u>-</u>
	<u>38,316</u>	<u>51,035</u>

16. Deferred capital grants

	2018	2017
	£	£
Social Housing Grants		
Balance as at 1 st April 2017	9,883,948	10,344,810
Repaid on disposal of property	-	(77,321)
Transfer to cost of sales	-	44,105
Amortisation in year	<u>(378,431)</u>	<u>(427,646)</u>
Balance as at 31 st March 2018	<u>9,505,517</u>	<u>9,883,948</u>
Due within 1 year	371,246	392,741
Due after more than 1 year	<u>9,134,271</u>	<u>9,491,207</u>
	<u>9,505,517</u>	<u>9,883,948</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2018

17. Share capital

	2018	2017
Shares of £1 each issued and fully paid		
As at 1 st April 2017	79	82
Shares issued at par during the year	<u>2</u>	<u>1</u>
	81	83
Shares forfeited	<u>(5)</u>	<u>(4)</u>
At 31 st March 2018	<u><u>76</u></u>	<u><u>79</u></u>

Each shareholder of the Association holds only one share and is entitled to vote at general meetings of the Association. Shares carry no right to dividend or distribution 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 member meetings.

18. Housing stock

	2018	2017
The number of units of accommodation in management at the year end was :-		
General needs - new build	254	254
- rehabilitation	27	27
Shared ownership	<u>11</u>	<u>11</u>
	<u><u>292</u></u>	<u><u>292</u></u>

19. Capital commitments

The Association had no capital commitments at 31st March 2018 (2017 - £Nil).

20. Leasing commitments

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:

	Land & Buildings	
	2018	2017
	£	£
Expiring between one and five years	<u>-</u>	<u>9,031</u>

21. Contingent liabilities

The Association has no known contingent liabilities at 31st March 2018 (2017 - £Nil).

22. Related party transactions

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

Some key management personnel and their close family are tenants and shared owners of the Association. The tenancies are on the Association's normal tenancy terms and shared ownerships rent charges are also at normal arms-length contractual terms. The rent charge in the year in respect of these tenancies and shared ownership accounts were £35,587 (2017 - £33,873) with rent arrears at the year end of £610 (2017 - £44) and rent prepayments of £1,061 (2017 - £586). Other recharges were £209 (2017 - £219) with £Nil balance at the year end (2017- £Nil).

Mr John Docherty, Mr John Barclay and Ms Christine Wards are on the Board of Kingsridge Cleddans Economic Development Group (KCEDG). During the year the Association paid rent totalling £12,021 (2017 - £11,786) to that organisation.

23. Legislation

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

24. Retirement Benefit Obligations

The Pensions Trust Retirement Solutions - Scottish Housing Associations' Pension Scheme (the Scheme)

The company participates in the Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the Scheme as a defined contribution scheme.

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

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

A formal actuarial valuation for the Scheme was carried out at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to make additional contributions - increasing at 3% per annum - to February 2022. The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Scheme liabilities. Recently, a provisional valuation of the Scheme was carried out in September 2017. This showed assets of £852m, liabilities of £981m and a smaller deficit of £129m.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company must recognise a liability for this obligation by reference to Para 28.11A of FRS 102. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. At the statement of financial position date the present value of this obligation was £51,195 (2017 - £63,539). This was calculated by reference to the terms of the agreement and discounting the liability using the yield of a high quality corporate bond with a similar term. The discount rate used was 1.51% (2017- 1.06%). The unwinding of the discount rate is recognised as a finance cost.

The Association also makes contributions to the personal pension scheme of two employees which are defined contribution schemes operated by third party entities.

The total pension cost for the Association for the year was £34,273 (2017 - £32,375) including pension deficit contribution payments to the Scheme of £12,504 (2017 - £11,579).