

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

**Scottish Registered Charity:  
Scottish Housing Regulator:  
Registered Society Number:**

**SC024549  
HEP302  
2508RS**

**Annual Report and Financial Statements for the year ended 31 March 2016**

<b>Contents</b>	<b>Page</b>
Committee of Management and Advisors	2
The Committee of Management's Report	3
Independent Auditor's Report to the Members of Sanctuary Scotland Housing Association Limited	10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Cash Flow Statement	14
Notes to the Financial Statements	15

**Sanctuary Scotland Housing Association Limited**

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**Committee of Management and Advisors**

**Members of the Committee of Management**

John Holcombe (Chairperson)  
Jack Payne (Vice Chairperson)  
Iain Blackwood  
James Coleman  
Suzanne Phee (Community Member)  
Sima Moradi (Community Member)  
Christine Vine (Resigned 15/02/2016)

**Corporate members**

Sanctuary Housing Association  
Spiral (Number 2) Housing Association Limited

**Secretary**

Sophie Atkinson

**Independent statutory auditor**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**Internal auditor**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

**Bankers**

Bank of Scotland plc	Barclays Bank plc
Bank of Scotland Commercial	Barclays Corporate
New Uberior House	Social Housing Team
11 Earl Grey Street	Level 27
Edinburgh	1 Churchill Place
EH3 9BN	London
	E14 5HP

**Legal advisors**

TC Young  
7 West George Street  
Glasgow  
G2 1AB

**Registered address**

Sanctuary House  
7 Freeland Drive  
Glasgow  
G53 6PG

**Scottish registered charity number**

SC024549

## Sanctuary Scotland Housing Association Limited

### The Committee of Management's report

The Committee of Management (the Committee) presents its Annual Report and the audited financial statements for the year ended 31 March 2016.

#### Principal activity

Sanctuary Scotland Housing Association Limited (the Association) was registered for the purpose of developing, managing and maintaining housing for people in housing need.

The Association is registered with the Scottish Housing Regulator, number HEP302.

The Association's ultimate parent undertaking is Sanctuary Housing Association and it forms part of the Sanctuary Group of entities (the Group).

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, number 2508RS, and is a Scottish Registered Charity, number SC024549.

#### Review of business activities

The Association has the following strategic aims:

- To provide good quality affordable housing both for rent and for sale for those less able to compete in their sections of the housing market.
- To provide housing and associated services for those with more specific housing requirements, such as older people and those with long-term disabilities.
- To provide value for money services and advice to individuals and organisations working to provide social housing.
- To ensure that any investment made by the Association in Scotland provides sustainable benefits for local communities.

The table below highlights the performance by income streams:

	Turnover		Operating surplus	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
General needs	12,820	11,670	6,857	6,328
Sheltered and supported housing	799	803	307	349
Other activities	171	863	7	(31)
Other gains and losses	-	-	(212)	208
<b>Totals</b>	<b>13,790</b>	<b>13,336</b>	<b>6,959</b>	<b>6,854</b>

The Executive Team and the Committee of Management use a number of key indicators to monitor the outcome of the Association's objectives. A selection of these indicators and results for the year, are as follows:

Indicator	Actual for year 2016	Actual for year 2015
Current tenant arrears as a % of gross annual rent	4.04%	3.29%
Void loss as a % of gross annual rent	0.24%	0.20%



**The Committee of Management's report (continued)**

**Review of business activities (continued)**

**Accommodation in management**

	<b>2016</b>	<b>2015</b>
<b>Social housing accommodation:</b>		
General needs housing	2,932	2,943
Sheltered & supported housing accommodation	163	139
<b>Total units in management</b>	<b>3,095</b>	<b>3,082</b>
Not available for letting	-	(165)
<b>Total stock available for letting</b>	<b>3,095</b>	<b>2,917</b>

At the Balance Sheet date last year, 165 properties at Anderston in Glasgow were being held as vacant pending phased demolition as part of the major regeneration project in that area. These properties were classified as assets under construction within the financial statements but have now been demolished.

24 (2015: 24) units owned by the Association were being managed by a third party, external to the Group, at the Balance Sheet date. No Supported Housing Management Grant was payable during the year in respect of these properties. These units of accommodation are managed on behalf of the Association by Margaret Blackwood Housing Association in Edinburgh.

220 (2015: 210) units owned by the Association were being managed by Cumbernauld Housing Partnership Limited, a Group company, at the Balance Sheet date.

*Housing management*

The Association has maintained its performance in a range of key indicators such as void loss for available to let properties, which was 0.24% (2015: 0.20%). The level of current tenant rent arrears at the year end increased slightly to 4.04% (2015: 3.29%) of the annual rental amount. The level of former tenant rent arrears decreased to 0.62% (2015: 0.66%).

*Community initiatives*

A number of local community events and activities were supported during the year both by the Association and by Sanctuary Group, which provided direct funding for a wide range of such events. These events and projects can make a very real difference to the quality of life in the estates and communities which the Association serves.

The Welfare Rights Officer continued to offer assistance to tenants in maximising their incomes, including claims for Discretionary Housing Payments to mitigate the impacts of welfare reforms. This service will be of increasing significance as further reforms to the welfare system are implemented.

*Property maintenance and improvement*

Throughout the year, the Association's maintenance services continued to be delivered by Sanctuary Maintenance Contractors Limited, with support from specialist contractors. The services covered both reactive and voids maintenance and estates services.

The in-house services have proved popular with tenants with feedback suggesting that the services are appreciated and meeting their expectations.

## **The Committee of Management's report (continued)**

### **Review of business activities (continued)**

#### *Property maintenance continued*

The largest improvement contract undertaken by the Association during the year was bathroom and kitchen renewals to 65 properties in the Priesthill and Rosshall area of Glasgow. The Association also continued, with welcome funding support from Glasgow City Council and the Scottish Government, its programme of medical aids and adaptations for tenants with particular needs.

The Association met the requirements of the Scottish Housing Quality Standard by the due date of 31 March 2014 with only a small number of exemptions required for properties in blocks where other owners are unable or unwilling to participate in communal improvement projects.

#### *Support services*

The Sheltered Housing Support Service provided by the Association at its two sheltered housing developments in Dundee receives funding from Dundee City Council under the Supporting People Programme. This funding has again been confirmed for 2016/2017, albeit the amount of funding has again been frozen.

#### *Risk management policy*

The Association maintains a detailed risk map which is monitored and updated on a regular basis. The risk map identifies risks which the Association might face, the likelihood of such risks occurring and their impact on the Association if they do occur. The risk map also identifies action taken by the Association to mitigate such risks occurring or to minimise their impact. The risk map is utilised by both the Committee and the Executive Team to ensure that the Association minimises, and controls as far as possible, the level of risk to which it is exposed.

The three principal risks identified in the most recent (December 2015) risk map are:

- Welfare reform – the likely impact of measures such as the under occupancy charge and Universal Credit on the Association and its tenants;
- The impact of the potential merger with other Sanctuary Group social housing subsidiaries in Scotland; and
- Planned changes to the Group's information systems over the course of 2016.

### **Corporate governance**

The process of the transfer of engagements of the two other Group social housing organisations in Scotland, Cumbernauld Housing Partnership Limited and Tenants First Housing Co-operative Limited, has been the key focus of the Committee of Management during this period and is expected to be completed by the end of August 2016. This will result in Sanctuary Scotland becoming one of the largest Housing Associations in Scotland with a wide geographical spread covering 11 local authority areas.

During the year two sub committees, the Operations Sub Committee and the Equality and Diversity Committee met regularly to consider matters within their approved remits.

John Holcombe was again elected as Chairperson of the Association in August 2015 for his fifth year in office. Jack Payne, a former Chairperson, was re-elected as Vice-Chairperson of the Association, also in August 2015.



## The Committee of Management's report (continued)

### Statement of Committee of Management's responsibilities in respect of the Committee of Management's report and the financial statements

The Committee of Management is responsible for preparing the Committee of Management's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society and charity law requires the Committee of Management to prepare financial statements for each financial year. Under those regulations the Committee of Management have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its surplus or deficit for that period.

In preparing these financial statements, the Committee of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

### Statement of internal financial control

The Committee of Management is ultimately responsible for ensuring that the Association maintains a system of internal financial control that is appropriate to the various business environments in which it operates. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed. The controls by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Committee of Management has established key procedures to provide internal control and there are clear lines of responsibility for the establishment and maintenance of the procedures through the designated senior executives. These controls are designed to give reasonable assurance with respect to:

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

Note that the system can only provide reasonable and not absolute assurance against material misstatement or loss.

**The Committee of Management's report (continued)**

**Statement of internal financial control (continued)**

Major business risks are identified through a system of continuous monitoring. The financial control framework includes the following key features and procedures:

- The Committee is directly responsible for strategic risk management;
- The adoption of formal policies and procedures including documentation of key systems and rules relating to a delegation of authorities which allows the monitoring of controls and restricts the unauthorised use of the Association's assets;
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures ensure standards of performance are maintained;
- Executives monitor the key business risks and financial objectives allowing the Association to progress towards its 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 including significant variances from budgets and forecasts which are investigated as necessary;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;

The Association reviews the effectiveness of the system of internal financial control through the following:

- The Group Audit and Risk Committee reviews reports from management, PWC (internal auditor) and from the in-house assurance team to provide reasonable assurance that control procedures are in place and are being followed.
- The Group Audit and Risk Committee receives an annual report on internal controls from the Executive Committee.
- The Group Audit and Risk Committee make regular reports to the Group Board and relevant points are communicated to the Association.

The Association follows formal procedures for ensuring appropriate actions are taken to correct weaknesses identified from the above reports, which are followed up by the Committee.

During the year the Association migrated the Human Resources system and the fixed asset register to SAP, the Group's Enterprise Resource Planning system, known internally as OneSanctuary. The Committee of Management and the Group Audit and Risk Committee are satisfied that since the transfers the system of internal control is appropriate to the various business environments in which it operates.

On behalf of the Committee of Management, the Group Audit and Risk Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2016 and to the date of the signed accounts and can confirm that there have been no weaknesses identified which have resulted in material loss, contingencies or uncertainties which need to be disclosed in the audited accounts.



## The Committee of Management's report (continued)

### Future developments and corporate issues

The year to 31 March 2016 saw a continued high level of development activity with a total of 286 new homes (2015: 206) completed. 221 homes for social rent and 65 for affordable home ownership (through the shared equity model) being completed on projects at Shortroods in Paisley; Braille Crescent in Renfrew; Bearsden Road and Hugo Street in Glasgow; Allanfauld, Ochillview and Westerwood in Cumbernauld; Strichen and Craigewan in Aberdeenshire.

As a result of its strong and positive relationships with grant funders and other key stakeholders, the Association has a strong forward programme of development projects. The final phase at Anderson in Glasgow; South Street, Glasgow; Berryhill and Allanfauld in Cumbernauld are all well underway. Projects at Andrew Avenue and Western Park in Renfrew; Spencer Street in Glasgow and the Craiginches Prison Site in Aberdeen are in the process of commencing on site.

The amount of Housing Association Grant for new housing for social rent which is available from the Scottish Government has recently increased and is assisting with the viability of several pipeline projects where the cost of enhanced building standards is being experienced. Challenges in the funding and valuation framework, however, remain and the Association will continue to carefully appraise the viability of all new projects.

Over 2016/2017 the Association will conclude the transfer of engagements process, allowing the promises of enhanced reinvestment expenditure and a cap on rent increases to a maximum of RPI plus 0.5% for three years to be met. The governance arrangements for the enlarged organisation will be finalised during the late summer of 2016.

### Financial risk management

The Association's operations expose it to a variety of financial risks that include the effects of cash flow risk, liquidity risk and interest rate risk. The Association has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Association by monitoring levels of debt finance and related finance costs.

#### *Cash flow risk*

At 31 March 2016, 100% of the Association's debt was on fixed rate terms (2015: 100%). Further to this the Association seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. At the year end, 1.38% (2015: 0.21%) of debt was payable within one year. The Association does not use derivative financial instruments to manage interest rate costs.

#### *Liquidity risk*

The Association actively maintains a level of debt finance that is designed to ensure that the Association has sufficient available funds for its operations.

#### *Interest rate risk*

The Association has interest bearing liabilities, which are maintained at a fixed rate to ensure certainty of future interest cash flows.

### Results

The financial affairs of the Association remained satisfactory and a surplus for the year was achieved of £461,000 (2015: £1,117,000). The Association has £8,648,000 (2015: £8,187,000) of revenue reserves and support via £1,599,345 (2015: £1,741,972) of loan funding from the Association's parent undertaking, Sanctuary Housing Association and £124,310,864 (2015: £113,681,935) from Sanctuary Treasury Limited, a fellow Group undertaking.



## Sanctuary Scotland Housing Association Limited

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### The Committee of Management's report (continued)

#### Committee Members

The Committee Members are listed on page 2.

National Members of the Committee are required to hold one share in the Association during their time in office which is cancelled or transferred on their resignation from the Committee. Members of the Committee who are also tenants have tenancies on normal commercial terms and cannot use their position to gain advantage in relation to tenancy agreements.

#### Political and charitable donations

The Association made no donations to political or charitable organisations in the year or the prior year.

#### Health and safety

The Committee is aware of its responsibilities on all matters relating to health and safety. The Association's risk appraisal and management processes aim to address all health and safety matters in relation to property, tenants and staff. A report on health and safety matters is submitted to each meeting of the Committee.

#### Going concern

The Committee confirms it has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Association's financial statements.

#### Independent Auditor

KPMG LLP has indicated its willingness to continue in office. A resolution concerning the appointment of the auditor will be proposed at the Annual General Meeting.

By order of the Committee of Management.



Sophie Atkinson  
Secretary  
9 August 2016

## Independent auditor's report to Sanctuary Scotland Housing Association Limited

We have audited the financial statements of Sanctuary Scotland Housing Association Limited for the year ended 31 March 2016 set out on pages 11 to 45. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the association's members, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Committee of Management and auditor

As more fully explained in the Statement of Committee of Management's Responsibilities set out on page 6, the association's Committee of Management is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under those Acts. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of affairs of the association as at 31 March 2016 and of the incoming resources and application of resources, including income and expenditure, for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014;
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended); and
- have been properly prepared in accordance the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014.

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

We have nothing to report in respect of the following: under the Co-operative and Community Benefit Societies Act 2014 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the association has not kept proper books of account or returns adequate for our audit have not been received from branches not visited by us; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 7:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



**Darren Turner**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
9 August 2016

## Statement of Comprehensive Income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
<b>Revenue</b>	2	13,790	13,336
<b>Operating expenditure</b>	2	(6,619)	(6,690)
Other gains and losses	7	(212)	208
<b>Operating surplus</b>	2,4	<u>6,959</u>	<u>6,854</u>
Finance costs	8	(6,500)	(5,737)
Finance Income	8	2	-
<b>Surplus for the year from continuing operations</b>		<u><u>461</u></u>	<u><u>1,117</u></u>

There were no discontinued operations in either the current or previous financial years.

The notes on pages 15 to 45 form part of these financial statements.



**Sanctuary Scotland Housing Association Limited**

**Statement of Financial Position as at 31 March 2016**

	Note	31 March 2016 £'000	31 March 2015 £'000	1 April 2014 £'000
<b>Assets</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	9	142,959	136,553	127,214
Other Investments	10	-	-	-
		<u>142,959</u>	<u>136,553</u>	<u>127,214</u>
<b>Current assets</b>				
Inventory	11	367	2,439	390
Trade and other receivables	12	4,905	887	1,834
Cash and cash equivalents		581	378	1,956
		<u>5,853</u>	<u>3,704</u>	<u>4,180</u>
<b>Total Assets</b>		<b><u>148,812</u></b>	<b><u>140,257</u></b>	<b><u>131,394</u></b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Trade and other payables	13	4,344	6,742	4,862
Loans and borrowings	14	1,878	260	308
		<u>6,222</u>	<u>7,002</u>	<u>5,170</u>
<b>Non-current liabilities</b>				
Loans and borrowings	14	133,942	125,068	119,154
		<u>133,942</u>	<u>125,068</u>	<u>119,154</u>
<b>Total liabilities</b>		<b><u>140,164</u></b>	<b><u>132,070</u></b>	<b><u>124,324</u></b>
<b>Equity</b>				
<b>Equity attributable to owners of the parent:</b>				
Ordinary shares	16	-	-	-
Retained earnings		8,648	8,187	7,070
<b>Total Equity</b>		<b><u>8,648</u></b>	<b><u>8,187</u></b>	<b><u>7,070</u></b>
<b>Total Equity and liabilities</b>		<b><u>148,812</u></b>	<b><u>140,257</u></b>	<b><u>131,394</u></b>

The notes on pages 15 to 45 form part of these financial statements.

The financial statements were approved by the Committee of Management on 9 August 2016 and signed on its behalf by:



John Holcombe  
Chairperson



Ian Blackwood  
Committee member



Sophie Atkinson  
Secretary

Sanctuary Scotland Housing Association Limited

Statement of Changes in Equity for the year ended 31 March 2016

	Share capital £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2014	-	7,070	7,070
Surplus for the year	-	1,117	1,117
Total comprehensive income	-	1,117	1,117
At 31 March 2015	-	8,187	8,187
At 1 April 2015	-	8,187	8,187
Surplus for the year	-	461	461
Total comprehensive income	-	461	461
<b>At 31 March 2016</b>	<b>-</b>	<b>8,648</b>	<b>8,648</b>

The notes on pages 15 to 45 form part of these financial statements



**Sanctuary Scotland Housing Association Limited**

**Statement of Cash Flows for the year ended 31 March 2016**

	Notes	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Surplus		461	1,117
Adjustments for:			
Depreciation	4	1,067	844
Gain/(loss) on sale of property, plant and equipment	7	212	(208)
Net finance costs	8	6,498	5,737
		<u>7,777</u>	<u>6,373</u>
Cash generated before working capital movements		<u>8,238</u>	<u>7,490</u>
Changes in:			
Trade and other receivables		4,494	67
Trade and other payables		(5,293)	343
		<u>(799)</u>	<u>410</u>
Cash generated from operating activities		<u>7,439</u>	<u>7,900</u>
Interest paid		(6,890)	(5,232)
<b>Net cash (outflow)/inflow from operating activities</b>		<u><b>549</b></u>	<u><b>2,668</b></u>
<b>Cash flows from investing activities</b>			
Interest received		69	2
Proceeds from sale of property, plant and equipment		469	663
Acquisition and construction of property, plant and equipment and investment property		(21,952)	(30,807)
Capital grants received		10,460	19,888
<b>Net cash (outflow)/inflow from investing activities</b>		<u><b>(10,954)</b></u>	<u><b>(10,254)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		16,650	6,008
Repayment of borrowings		(6,042)	
<b>Net cash flow from financing activities</b>		<u><b>10,608</b></u>	<u><b>6,008</b></u>
<b>Net movement in cash and cash equivalents</b>		<u><b>203</b></u>	<u><b>(1,578)</b></u>
Cash and cash equivalents 1 April		378	1,956
<b>Cash and cash equivalents 31 March</b>		<u><b>581</b></u>	<u><b>378</b></u>

An analysis of changes in net debt is shown in note 18.

The notes on pages 15 to 45 form part of these financial statements.

## Notes to the Financial Statements

### 1. Principal Accounting Policies

#### General Information

The financial statements are presented in pounds sterling which is the Group's functional currency. Unless otherwise stated, amounts are denominated in thousands (£'000) rounded to the nearest £1,000.

#### Basis of accounting

The Association's financial statements have been prepared and approved by the Committee of Management in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). They are also prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014 (the SORP) and the Determination of Accounting Requirements 2014 where these do not conflict with IFRS. The principal accounting policies are set out below.

The financial statements are prepared on the historical cost basis.

Judgements made by the Committee of Management, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are separately considered later within these accounting policies.

#### Going Concern

The Association's business activities, together with the factors likely to affect its future development and position, are set out in the Committee of Management's report on page 3.

The Committee of Management have no reason to believe that a material uncertainty exists for the Association since the Directors of the Association's parent, Sanctuary Housing Association, have already signed the Annual Report and Accounts for the same period on a going concern basis. The Committee of Management therefore have evidence of the Group's ability to continue in operational existence for the foreseeable future with its current banking arrangements. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

#### Transition to IFRS

The Association is preparing its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Association is provided in note 22.

IFRS 1 grants certain exemptions from the full requirements of IFRS in the transition period, of which the Group has taken the exemptions regarding business combinations. Business combinations that took place prior to 1 April 2014 have not been restated.



**Notes to the Financial Statements (continued)**

**1. Principal Accounting Policies (continued)**

**Transition to IFRS (continued)**

New standards, amendments and interpretations issued but not effective or yet to be endorsed by the EU are as follows:

- IFRS 9 Financial instruments and the amendment on general hedge accounting (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2016)
- Amendment to IAS 19 Employee benefits on defined benefit plans (effective for annual periods beginning on or after 1 February January 2016)

In January 2016 the IASB issued IFRS 16 on accounting for leases which is yet to be endorsed by the European Union. The Association is in the process of determining what the effect may be.

The Association is currently also reviewing the impact of IFRS 9 and IFRS 15 to determine both the accounting and disclosure implications.

The Association has yet to assess the full impact of the remainder of these new standards and amendments; however initial indications are that they will not significantly impact the financial statements of the Association.

Other forthcoming standards, amendments or interpretations which are not covered within the above are highly unlikely to not impact the financial statements of the Association.

**Critical accounting judgements**

In the process of applying the Association's accounting policies, management have made certain judgements which have a significant impact upon the financial statements, these are detailed below.

*Classification of property*

A degree of judgement is required over whether property held by the Association is treated as property, plant and equipment or as investment property.

IAS 40 Investment Property defines an investment property as property which is held to earn rentals or for capital appreciation or both. The Association considers none of its property to fall under this definition.

**Notes to the financial statements (continued)**

**1. Principal accounting policies (continued)**

**Critical accounting estimates and assumptions**

Property held for use in the production or supply of goods or services or for administrative purposes is treated as property, plant and equipment. The Association has therefore classified its office buildings (held for administrative purposes) as property, plant and equipment.

A greater degree of judgement is required over the classification of housing property held for social lettings. It is the Association's opinion that whilst rental income is received from the provision of social housing, the primary purpose is to provide social benefits. The provision of social housing is therefore akin to supplying a service and so property held for this purpose has been accounted for as property, plant and equipment. This treatment is consistent with housing associations that have chosen the alternative option of applying the revised UK GAAP (FRS 102), which contains explicit provisions for this scenario and arrives at a similar conclusion; it is also consistent with guidance contained in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014 (the SORP).

The preparation of the Association's financial statements requires management to make estimates and assumptions that affect reported carrying amounts of assets and liabilities.

Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed on the following page.

*Fair value measurement*

A number of assets and liabilities included in the Association's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Association's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.



**Notes to the financial statements (continued)**

**1. Principal accounting policies (continued)**

**Revenue**

The Association has the following revenue streams:

- Rental income from housing accommodation, net of void losses
- Service charges for provision of services to properties and communal areas
- Fee income and Supporting People contract income for provision of support services
- Fee income for care and support services provided to people in properties under the Association's management or in their own homes
- Sales of properties built by the Association, either through shared ownership or outright sales

Revenue is measured at the fair value of the consideration received or receivable in relation to the sale of goods or provision of services in the normal course of business, net of discounts, VAT and other sales related taxes.

Rental income is credited to revenue on a straight-line basis over the period of the tenancy agreement. Where tenancy agreements include rent free periods, income is accrued or deferred in order to recognise the rent free periods on a straight line basis.

Revenue from the rendering of services and from Supporting People contracts is recognised when the service concerned has been provided. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred.

Income from property sales is recognised on the date of completion of the sale.

Where the Association uses managing agents to run supported housing but overall control and risk of financial loss is retained by the Association, the income from the supported housing is included in revenue.

Where management charges are receivable from other Group entities by the Association, the income is recognised in revenue.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Association assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.



**Notes to the financial statements (continued)**

**1. Principal accounting policies (continued)**

**Property, plant and equipment and depreciation (continued)**

*Land and buildings:*

Land and buildings consists of housing properties for social rent and shared ownership properties. Housing properties are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of such properties includes the following:

- a) Cost of acquiring land and buildings;
- b) Construction costs including internal equipment and fitting;
- c) Directly attributable development administration costs;
- d) Cost of capital employed during the development period;
- e) Expenditure incurred in respect of improvements and extensions to existing properties; and
- f) Construction costs incurred but not yet certified at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic or social benefits associated with the item will flow to the Association and the cost of the item can be measured reliably.

Expenditure on housing properties which is capable of generating increased future rents, extends their useful life, or significantly reduces future maintenance costs, is capitalised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Structure	40 – 125 years
Doors and door entry systems	10 – 40 years
Bathrooms	15 – 40 years
External works	20 – 25 years
Heating systems	15 – 40 years
Kitchens	30 years
Lifts	10 years
Green technologies	25 years
Roof coverings	50 years
Windows	40 years
Electrical wiring	30 years

The acquisition and disposal of properties is accounted for on the date when completion takes place.

*Offices, plant and equipment:*

Assets are stated at cost (this includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use) less accumulated depreciation, which is charged on a straight line basis to write off assets over their expected economic useful lives as follows:

Freehold land and buildings (offices)	10 – 40 years
Leasehold land and buildings (offices)	Over the period of the lease
Furniture and equipment	4 – 10 years
Motor vehicles	4 – 5 years
Computer equipment (excluding software)	4 – 10 years

**Notes to the financial statements (continued)****1. Principal accounting policies (continued)****Borrowing costs and development administration costs**

Interest on the Association's borrowings to finance developments is capitalised in properties under construction to the extent it accrues in respect of the period of development. The interest is either on borrowings specifically financing a scheme (after deduction of interest on Social Housing Grant (SHG) received in advance) or the weighted average borrowing rate across net borrowings deemed to be financing a scheme. Where a scheme has SHG in excess of costs, interest receivable is accrued against the balance.

Directly attributable development administration costs capitalised are the labour costs of the Association's own employees arising directly from the construction or acquisition of properties, and the incremental costs that would have been avoided only if the properties had not been constructed or acquired.

**Impairment****Financial assets**

A financial asset not carried at fair value through income and expenditure is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

**Non-financial assets**

The carrying amounts of the Association's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.



**Notes to the financial statements (continued)**

**1. Principal accounting policies (continued)**

**Impairment (continued)**

Impairment testing – property

When an impairment indicator is identified, an impairment review is performed at an individual property level and compared against the higher of:

- the fair value less selling costs of the property, or
- its value in use (VIU).

Should the net book value of the property exceed the higher of these measures, it is impaired to this value, with the movement going through the Statement of Comprehensive Income.

Fair value is deemed to be the market value of the property based on its current use. For social housing, this will be the existing use value – Social Housing (EUV-SH). The other property types, open market valuations are used as an indicator of this value.

VIU is based on the property's recoverable amount. The recoverable amount is calculated using an assessment of future discounted cash flows or other valuation methods deemed appropriate. For this purpose, discounted cash flows are assessed over a period of up to 30 years.

Discounted cash flows use the Weighted Average Cost of Borrowing for the asset owning entity and an appropriate retail price inflation rate. Sensitivity analysis is undertaken on these assumptions to ensure calculations are robust.

Another measure of VIU permitted by the SORP for social housing is the depreciated replacement cost (DRC) of the property. To determine the DRC, the Group uses information on current and recently completed developments in order to establish a build cost relevant to the property being tested, based on size, location, and other factors.

Impairment reversals

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Notes to the financial statements (continued)**

**1. Principal accounting policies (continued)**

**Financial instruments**

**Financial assets**

Financial assets are defined as cash or any asset that is a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity. There are two categories of financial assets held by the Association:

- Loans and receivables; and
- Available-for-sale financial assets.

Loans and receivables are assets with fixed or determinable payments that are not quoted on an active market, other than those that are categorised as financial assets at fair value through income and expenditure or available-for-sale assets. These are initially recognised at fair value plus transaction costs, and subsequently at amortised cost. Examples of loans and receivables include tenant arrears, unlisted investments, sundry receivables and cash at bank and in hand.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs, which is effectively historical cost. At each reporting date they are remeasured at fair value and movements are recorded in equity reserves and in the Statement of Comprehensive Income when the reserves are fully utilised. The Association considers listed investments to be available-for-sale assets.

**Financial liabilities**

The Association has one category of financial liability:

- Other financial liabilities.

Other financial liabilities are all financial liabilities that have value to the supplying party, for instance debt finance, trade payables, other payables and accruals. They are valued at fair value at inception and then amortised cost subsequently.

**Provisions for liabilities and charges**

A provision is recognised in the Statement of Financial Position when the Association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Dilapidations provisions are made to reflect the cost of restoring leased assets to their original condition, as required under the terms of the lease.

**Financing costs**

Costs which are incurred directly in connection with the raising of private finance are deducted from the liability and amortised over the term of the loan on a consistent periodic rate of charge. Premiums or discounts on financial instruments are amortised using the effective interest rate basis or a straight-line basis where it can be demonstrated that there is no material difference between the two methods.



## Notes to the financial statements (continued)

### 1. Principal accounting policies (continued)

#### Leasehold service charge sinking funds

The Association is required to set aside sums for future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added. Amounts accumulated in the fund are included within trade and other receivables and within trade and other payables.

Unutilised contributions to sinking funds and over recovery of service costs repayable to tenants/leaseholders are shown in liabilities (including any interest). Where there has been an under recovery of variable service charges, the balance is included within receivables to the extent it is recoverable.

#### Shared Equity Housing

Properties developed under the Scottish Government's shared equity initiative are funded by grant and ultimate sales proceeds. For properties commenced and completed before 1 April 2008, the net investment in shared equity properties is shown on the face of the Balance Sheet as investments and carried at historical cost with the linked finance cost, being the grant received, deducted from the gross amount of the shared equity asset. Shared equity properties under construction are shown as assets held for sale, while completed properties commenced and completed after 1 April 2008 are not disclosed in the financial statements, as any interest in the completed property is held by the Scottish Government.

#### Housing Association Grant (HAG) and other public grant

Where developments have been financed wholly or partly by HAG and/or other public grant, the amount of grant received is offset against the cost of developments on the Balance Sheet. In instances where grant for the development programme exceeds development costs, an amount equal to the excess is held in creditors. Similarly if grant is receivable for the development programme in arrears the amount is accrued in debtors.

### 2. Revenue, Operating Costs and Operating Surplus

	2016 Revenue £'000	2016 Operating costs £'000	2016 Other gains/ (losses) £'000	2016 Operating Surplus/ (deficit) £'000	2015 Operating Surplus/ (deficit) £'000
Social housing lettings	13,619	(6,455)	-	7,164	6,677
Other social housing activities	171	(164)	-	7	(31)
Other gains and losses	-	-	(212)	(212)	208
<b>Total</b>	<b>13,790</b>	<b>(6,619)</b>	<b>(212)</b>	<b>6,959</b>	<b>6,854</b>
<b>Total for previous year</b>	<b>13,336</b>	<b>(6,690)</b>	<b>208</b>	<b>6,854</b>	



## Notes to the Financial Statements (continued)

## 3a. Income and Expenditure from Social Housing Lettings

	Rented housing £'000	Supported housing £'000	2016 Total £'000	2015 Total £'000
<b>Income from lettings</b>				
Rents receivable net of service charges	12,648	581	13,229	12,199
Service charges	197	225	422	292
<b>Gross income from rents and service charges</b>	<b>12,845</b>	<b>806</b>	<b>13,651</b>	<b>12,491</b>
Less voids	(25)	(7)	(32)	(18)
<b>Net income from rents and service charges</b>	<b>12,820</b>	<b>799</b>	<b>13,619</b>	<b>12,473</b>
<b>Expenditure on lettings</b>				
Management and maintenance administration costs	(2,327)	(127)	(2,454)	(2,858)
Services costs	(697)	(138)	(835)	(508)
Reactive maintenance	(1,434)	(146)	(1,580)	(1,091)
Planned and cyclical maintenance	(589)	(40)	(629)	(518)
Bad debt charges – rents and service charges	(50)	(8)	(58)	(29)
Depreciation of social housing	(866)	(33)	(899)	(792)
<b>Operating costs from social letting activities</b>	<b>(5,963)</b>	<b>(492)</b>	<b>(6,455)</b>	<b>(5,796)</b>
<b>Operating surplus from social letting activities</b>	<b>6,857</b>	<b>307</b>	<b>7,164</b>	<b>6,677</b>
<b>Operating surplus from social letting activities for previous year</b>	<b>6,328</b>	<b>349</b>	<b>6,677</b>	

## 3b. Income and Expenditure from Other Activities

	Other income £'000	Other operating costs £'000	Operating surplus £'000	2015 Operating Surplus £'000
Management services for Registered Providers	4	(122)	(118)	(26)
Supporting People contract income	58	(58)	-	-
Other	109	16	125	(5)
<b>Total from other activities</b>	<b>171</b>	<b>(164)</b>	<b>7</b>	<b>(31)</b>
Total from other activities for the previous year	863	(894)	(31)	

**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements (continued)**

**4. Operating Surplus**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>The operating surplus is arrived at after charging/(crediting):</b>		
Depreciation of property, plant and equipment	1,067	844
Deficit/(surplus) on the sale of property, plant and equipment	212	(208)
Auditors' remuneration – audit	27	10
	<u>27</u>	<u>10</u>

There have been no non-audit services in the year or the prior year.

**5. Committee of Management Members' Emoluments**

The Members of the Committee of Management were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £6,000 (2015: £2,000).

**6. Employee Information**

There were no employees of the Association during the year (2015: none). The Association's management and administration is carried out under contract by its parent undertaking Sanctuary Housing Association.

**7. Other gains and losses**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Proceeds	469	663
Cost of disposals	(681)	(455)
	<u>(212)</u>	<u>208</u>

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements (continued)

8. Finance income and costs

a) Finance income

	2016 £'000	2015 £'000
Interest receivable from: Short-term cash deposits	<u>2</u>	<u>-</u>

b) Finance costs

	2016 £000	2015 £000
Interest charges on non-instalment debt	394	394
Interest on loans from group undertakings	6,397	6,074
Less: amounts transferred to housing properties in the course of construction	<u>(291)</u>	<u>(731)</u>
	<u>6,500</u>	<u>5,737</u>



Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements (continued)

9. Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Offices £'000	Under construction £'000	Total £'000
<b>Cost</b>					
Balance at 1 April 2014	252,677	98	720	30,708	284,203
Additions	1,473	1	-	31,340	32,814
Transfers from subsidiaries	-	-	-	1,472	1,472
Transfers at completion	31,185	-	-	(31,185)	-
Transfers to inventory	(26)	-	-	(5,453)	(5,479)
Disposals	(829)	(12)	-	-	(841)
Balance at 31 March 2015	<u>284,480</u>	<u>87</u>	<u>720</u>	<u>26,882</u>	<u>312,169</u>
Balance at 1 April 2015	284,480	87	720	26,882	312,169
Additions	1,150	3	-	26,064	27,217
Transfers from subsidiaries	-	4	-	-	4
Transfers at completion	28,608	-	-	(28,608)	-
Transfer to inventory	(2,091)	-	-	(2,340)	(4,431)
Disposals	(1,054)	(22)	-	-	(1,076)
Balance at 31 March 2016	<u>311,093</u>	<u>72</u>	<u>720</u>	<u>21,998</u>	<u>333,883</u>
<b>Depreciation and impairment</b>					
Balance at 1 April 2014	7,467	42	154	-	7,663
Depreciation charge for the year	638	17	53	-	708
Disposals	(133)	(4)	-	-	(137)
Balance at 31 March 2015	<u>7,972</u>	<u>55</u>	<u>207</u>	<u>-</u>	<u>8,234</u>
Balance at 1 April 2015	7,972	55	207	-	8,234
Depreciation charge for the year	734	14	53	-	801
Disposals	(214)	(14)	-	-	(228)
Balance at 31 March 2016	<u>8,492</u>	<u>55</u>	<u>260</u>	<u>-</u>	<u>8,807</u>
<b>Housing association grant</b>					
Balance at 1 April 2014	132,049	-	-	17,277	149,326
Additions	158	-	-	17,480	17,638
Transfers from subsidiaries	-	-	-	693	693
Transfers at completion	18,262	-	-	(18,262)	-
Disposals	(275)	-	-	-	(275)
Balance at 31 March 2015	<u>150,194</u>	<u>-</u>	<u>-</u>	<u>17,188</u>	<u>167,382</u>
Balance at 1 April 2015	150,194	-	-	17,188	167,382
Additions	40	-	-	15,161	15,201
Net transfers at completion	14,820	-	-	(14,820)	-
Transfer to inventory	(2,616)	-	-	2,404	(212)
Disposals	(254)	-	-	-	(254)
Balance at 31 March 2016	<u>162,184</u>	<u>-</u>	<u>-</u>	<u>19,933</u>	<u>182,117</u>
<b>Net book value</b>					
31 March 2016	<u>140,417</u>	<u>17</u>	<u>460</u>	<u>2,065</u>	<u>142,959</u>
31 March 2015	<u>126,314</u>	<u>32</u>	<u>513</u>	<u>9,694</u>	<u>136,553</u>
1 April 2014	<u>113,161</u>	<u>56</u>	<u>566</u>	<u>13,431</u>	<u>127,214</u>

**Sanctuary Scotland Housing Association Limited**

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**Notes to the Financial Statements (continued)**

**9. Property, plant and equipment (continued)**

**Annual impairment review**

The Association has reviewed all properties for indicators of impairment for the year ended 31 March 2016; no impairments have been identified.

**Land and buildings**

Of the total net book value of land and buildings, £140,417,000 is freehold (2015: £126,304,000).

**Offices**

Of the total net book value for offices, £460,000 is freehold (2015: £513,000).

**10. Other Investments**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Shared Equity		
- Investment	1,545	1,545
- Grant	<u>(1,545)</u>	<u>(1,545)</u>
	<u>          -</u>	<u>          -</u>

Properties developed under the Scottish Government's shared equity initiative are funded by grant and ultimate sales proceeds. The net investment in shared equity properties is carried at historical cost with the linked finance cost, being the grant received, deducted from the gross amount of the shared equity asset in line with the SORP.

## Notes to the Financial Statements (continued)

## 11. Inventory

	£'000
Shared equity properties:	
Cost of properties as at 1 April 2015	22,424
Additions (transfers from property, plant and equipment)	4,432
Disposals	(26,489)
Cost of properties as at 31 March 2016	<u>367</u>
Grant received as at 1 April 2015	19,985
Additions	212
Disposals	(20,197)
Grant received as at 31 March 2016	<u>-</u>
<b>Total properties held for sale as at 31 March 2016</b>	<b><u>367</u></b>
Total properties held for sale as at 31 March 2015	<u>2,439</u>

Shared Equity Housing (also known as Homestake) is a scheme run by Sanctuary Scotland Housing Association Limited and funded through government grants. The cost of the properties is shown in inventory net of grants received in accordance with the SORP.

## 12. Trade and other receivables

	2016 £'000	2015 £'000
<b>Current:</b>		
Tenant rental receivables (note 15)	671	467
Tenant rental bad debt provision (note 15)	(285)	(264)
Other trade receivables	41	456
Amounts owed from fellow group undertakings	125	62
Prepayments	13	-
Other receivables	4,340	166
	<u>4,905</u>	<u>887</u>

Amounts due from parent and fellow Group undertakings are all on trading terms, due within one year and do not incur interest.



## Notes to the Financial Statements (continued)

**13. Trade and other payables**

	2016 £'000	2015 £'000
<b>Current:</b>		
Trade payables	364	748
Amount due to Group entities	689	454
Other payables	293	567
Accruals	2,998	4,973
	<u>4,344</u>	<u>6,742</u>

Amounts due to fellow group undertakings and parent undertaking are trading in nature and are non-interest bearing.

**14. Loans and borrowings**

	2016 £'000	2015 £'000
<b>Current:</b>		
Amounts owed to Group entities	1,878	260
	<u>1,878</u>	<u>260</u>
<b>Non-current:</b>		
Amounts owed to fellow Group entities	124,032	115,164
Bank loans and mortgages	9,910	9,904
	<u>133,942</u>	<u>125,068</u>
<b>Bank loans and mortgages</b>	<u>135,820</u>	<u>125,328</u>

Based on the lender's earliest repayment date, borrowings fall due as follows:

	2016 £'000	2015 £'000
In one year or less	1,878	260
Between one and two years	1,938	1,878
Between two and five years	17,933	18,474
In five years or more	114,071	104,716
	<u>135,820</u>	<u>125,328</u>

**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements (continued)**

**15. Financial instruments and risk management**

**Financial risk management objectives and policies**

The Association's Treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example arrears, are the responsibility of other operating divisions of the Association's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit Committee.

Where financial instruments are measured in the Statement of Financial Position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Association's financial instruments include:

**Financial assets**

**Loans and receivables**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Rental receivables (note 12)	386	203
Other trade receivables (note 12)	41	456
Other receivables (note 12)	4,340	166
Amounts due from Group entities (note 12)	125	62
Cash and cash equivalents	581	378
	5,473	1,265

Of the above loans and receivables balances, rental receivables, amounts due from parent undertaking, amounts due from subsidiary undertakings and other receivables £4,892,000 (2015: £887,000) derive from current trade and other receivables balances on the Statement of Financial Position. Trade and other receivables totalled £4,905,000 at 31 March 2016 (2015: £887,000). The remaining balances of £13,000 (2015: £nil) are not considered to fall within the definition of a financial asset.

## Notes to the Financial Statements (continued)

### 15. Financial instruments and risk management (continued)

#### Financial liabilities

As at 31 March the Association's financial liability balances were as follows:

#### Other financial liabilities - current

	2016 £'000	2015 £'000
Debt finance gross of setup costs (note 14)	1,944	326
Trade payables (note 13)	364	748
Amounts due to Group entities (note 13)	689	454
Other payables (note 13)	293	567
	<u>3,290</u>	<u>2,095</u>

Other payables include other tax and social security and other payables. Current trade and other payables as disclosed in the Statement of Financial Position totalled £4,344,000 (2015: £6,742,000). The difference between the Statement of Financial Position and the amounts disclosed above is £2,998,000 (2015: £4,973,000) and relates to balances that are not considered to fall within the definition of a financial liability. Debt finance consists of loans and mortgages and is presented before setup costs.

#### Other financial liabilities – non-current

	2016 £'000	2015 £'000
Debt finance gross of setup costs (note 14)	134,499	125,679
	<u>134,499</u>	<u>125,679</u>

Non-current trade and other payables as disclosed in the Statement of Financial Position totalled £nil (2015: £nil). Debt finance consists of loans and mortgages and is presented before setup costs.

Total current and non-current other financial liabilities at 31 March 2016 were £137,789,000 (2015: £127,774,000).

All significant inputs required to value the above instruments are observable and, as such, the Association has classified them as level 2.

#### Valuation

Balances are valued in accordance with note 1 Principal Accounting Policies – Financial Instruments.

All assets and liabilities at fair value through the Income Statement have been designated as such on initial recognition.

Bank loans and mortgages are measured at book value. However, fair value can be calculated and these are disclosed in note 15a.



## Notes to the Financial Statements (continued)

### 15. Financial instruments and risk management (continued)

#### Analysis of risks

##### a) Interest rate risk and exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Association's liabilities and cash flows.

The interest rate exposure of the Association net debt at 31 March 2016 was:

	£'000	%
Fixed rate financial liabilities	135,820	100.0
	<u>135,820</u>	<u>100.0</u>

The weighted average interest rate of the Association's total financial liabilities is 4.94% (2015: 5.07%). The weighted average life of fixed rate financial liabilities is 22.2 years (2015: 23.4 years). The Association operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs.

The Association's cash flow interest rate risk relates to:

- fixed rate financial instruments where benefits of interest rate reductions are lost – a 0.25% rate reduction would result in a lost benefit of £320,000 (2015: £293,000).

A comparison of the book value to fair value of Association's long-term borrowings at 31 March 2016 is set out below.

	2016 Book Value £'000	2016 Fair Value £'000
Bank loans and mortgages (note 14)	9,443	11,538
Amounts owed to Group entities (notes 14)	124,499	168,537
	<u>133,942</u>	<u>180,075</u>

The following methods and assumptions have been applied in determining the value of the financial instruments in the table above.

- The book value of loans with a maturity of less than one year is assumed to equate to their carrying value.
- The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.
- The fair value of balances shown above at a variable rate of interest is assumed to approximate to their book value.

Interest rate risk applies to debt finance.

**Notes to the Financial Statements (continued)**

**15. Financial instruments and risk management (continued)**

**Analysis of risks (continued)**

**b) Liquidity risk**

Liquidity risk is the risk that the Association will fail to be able to access liquid funds - either through:

- lack of available facilities; or
- lack of secured, but available, facilities; or
- lack of identification of need to draw on available facilities.

The Treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer term basis to ensure that short and longer term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Chief Financial Officer on a weekly basis. The forecasts identify when draw-downs on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for draw-down.

The Treasury function also manages a database of the Association's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value as security is gained from the Association's stock. These systems ensure that facilities are available to the Association which are secured and available to draw on as required.

The Association's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Association to meet its financial obligations.

The Association has not defaulted on any of its loan arrangements in the year.

Liquidity risk applies to cash and all payables balances.

## Notes to the Financial Statements (continued)

## 15. Financial instruments and risk management (continued)

## Analysis of risks (continued)

## b) Liquidity risk (continued)

## Contractual cash flows for all financial liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as bank loans, mortgages and deferred finance. Interest is calculated based on debt held at 31 March. Floating rate interest is estimated using the prevailing interest rate at the reporting date.

At 31 March 2016	Debt	Interest on debt	Other liabilities not in net debt	Total
	£'000	£'000	£'000	£'000
Due less than one year	(1,752)	(7,332)	(1,346)	(10,430)
Between one and two years	(1,760)	(7,125)	-	(8,885)
Between two and three years	(14,970)	(6,411)	-	(21,381)
Between three and four years	(1,179)	(6,059)	-	(7,238)
Between four and five years	(1,189)	(5,994)	-	(7,183)
Greater than five years	(107,030)	(108,755)	-	(215,785)
<b>Gross contractual cash flows</b>	<b>(127,880)</b>	<b>(141,676)</b>	<b>(1,346)</b>	<b>(270,902)</b>

At 31 March 2015	Debt	Interest on debt	Other liabilities not in net debt	Total
	£'000	£'000	£'000	£'000
Due less than one year	(143)	(6,669)	-	(6,812)
Between one and two years	(1,752)	(6,859)	-	(8,611)
Between two and three years	(1,760)	(6,732)	-	(8,492)
Between three and four years	(14,970)	(6,022)	-	(20,992)
Between four and five years	(1,179)	(5,676)	-	(6,855)
Greater than five years	(97,455)	(108,464)	-	(205,919)
<b>Gross contractual cash flows</b>	<b>(117,259)</b>	<b>(140,422)</b>	<b>-</b>	<b>(257,681)</b>



**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements (continued)**

**15. Financial instruments and risk management (continued)**

**Analysis of risks (continued)**

**c) Credit risk**

Credit risk applies to all debtor balances and to debt finance. The risk falls into two categories: financial and operational.

**Financial**

The Association manages credit risk by carrying out monthly credit checks on all counterparties from which the Association either sources funds or places deposits. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties. It is the Association's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Association's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating. The maximum exposure with a single external funder is £10,000,000 as at 31 March 2016 (2015: £10,000,000).

**Operational**

The majority of the operational debt at any given time relates to tenants and non-tenants of the Association. These debts are reported to management on a weekly basis and recovery of debts is coordinated through subsidiary and regional management teams. Performance of debt recovery is reviewed monthly by the Executive Directors.

**Tenant rental receivable arrears**

Gross tenant rental arrears due as at 31 March 2016 totalled £671,000 (2015: £467,000). Most of this balance was past due as the majority of tenancy agreements state that the rent is due in advance. The age of these arrears was as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Less than 30 days	204	137
30 to 60 days	136	99
60 to 90 days	89	59
More than 90 days	242	172
Balance as at 31 March	671	467

There is a provision against £285,000 (2015: £264,000) of this balance leaving a net rental arrears balance of £386,000 (2015: £203,000) (see note 12).

**Tenant rental receivable arrears provision**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	264	132
Provided in the year	55	161
Amounts written off	(34)	(29)
Balance as at 31 March	285	264

## Notes to the Financial Statements (continued)

### 15. Financial instruments and risk management (continued)

#### Analysis of risks (continued)

##### c) Credit risk (continued)

The majority of the provision relates to arrears classified as more than 90 days old. The Association provides fully for arrears due from former tenants. Specific categories of current tenant debt and specific tenant balances are provided for where the likelihood of settlement in full or in part is unlikely. Further details are given within the critical accounting estimates and assumptions section of these policies.

#### Other trade receivables

Gross other trade receivables balances as at 31 March 2016 totalled £124,000 (2015: £578,000). Of this balance £104,000 (2015: £143,000) was deemed past due. Normal payment terms are 30 days. The age of gross other trade receivables balances was as follows:

	2016 £'000	2015 £'000
Less than 30 days	20	435
30 to 60 days	-	6
60 to 90 days	-	-
More than 90 days	104	137
Balance as at 31 March	124	578

There is a provision against £83,000 (2015: £122,000) of this balance leaving a net other trade receivables balance of £41,000 (2015: £456,000) (see note 12).

#### Other trade receivables provision

	2016 £'000	2015 £'000
Balance as at 1 April	122	172
Provided in the year	(21)	6
Amounts written off	(18)	(56)
Balance as at 31 March	83	122

The Association provides for specific categories of sundry receivable balances and specific sundry receivable balances where the likelihood of settlement in full or in part is unlikely. Further details are given within the critical accounting estimates and assumptions section of these policies.

#### Renegotiated debt

The Association occasionally enters into payment agreements with tenants who have overdue debts. Plans of this nature extend the repayment period but do not change the amounts due. As at 31 March 2016 £200,000 (2015: £165,000) of arrears balances were subject to payment agreements.

**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements (continued)**

**15. Financial instruments and risk management (continued)**

**Analysis of risks (continued)**

**c) Credit risk (continued)**

The maximum credit risk at 31 March 2016 and 2015 was as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Receivables	4,892	887
Cash and cash equivalents	581	378
	5,473	1,265

**d) Concentration risk**

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile.

Management determines concentrations of risk through its standard risk management procedures, as detailed in the Board's Report and Operating and Financial Review.

Management considers the Association's main concentration of risk to be within rent and service charge arrears. The shared characteristic of this concentration is the social demographic of the client base that can be linked to lower credit quality. However, the arrears are from a number of types of tenancy:

- Rental
- Sheltered housing
- Supported housing
- Students
- Commercial tenants
- Shared ownership
- Home ownership

A reduced level of risk is associated with shared ownership and home ownership residents.

The maximum exposure to this risk is equal to the tenant arrears balance (net of provision) at 31 March 2016, £386,000 (2014: £203,000).

**e) Market rate risk**

Market risk applies to listed investments. Listed investments are exposed to fluctuations in market values that are outside the Association's control. Listed investments at 31 March 2016 totalled £nil (2015: £nil).

**f) Capital**

The Association considers its capital balances to be share capital (note 16) and reserves (Statement of Changes in Equity).



**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements (continued)**

**16. Called up share capital**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Each member holds one share of £1 in the Association		
Allotted, issued and fully paid		
At 1 April	16	20
Redeemed in the year	(2)	(4)
At 31 March	14	16

Each share carries voting rights but not rights to dividends, distributions on winding up or rights of redemption.

**17. Capital commitments**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure contracted	30,432	10,926
Authorised expenditure not contracted	76,605	42,188
	107,037	53,114

£35,931,000 (2015: £17,259,000) of the capital commitments will be financed by grant and other public finances with the remainder being financed from existing funds, largely from the parent undertaking or Sanctuary Treasury Limited.

**18. Notes to the Statement of Cash Flows**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents per Statement of Financial Position	581	378
Cash and cash equivalents per Statement of Cash Flows	581	378

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Statement of Financial Position as shown above.

Notes to the Financial Statements (continued)

18. Notes to the Statement of Cash Flows (continued)

Analysis of changes in net debt

	At 1 April 2015 £'000	Cash flows £'000	Non-cash changes £'000	At 31 March 2016 £'000
Cash at bank and in hand	378	203	-	581
Debt due less than one year	(260)	(1,734)	116	(1,878)
Debt due after more than one year	(125,068)	(8,874)	-	(133,942)
	<u>(124,950)</u>	<u>(10,405)</u>	<u>116</u>	<u>(135,239)</u>
	At 1 April 2014 £'000	Cash flows £'000	Non-cash changes £'000	At 31 March 2015 £'000
Cash at bank and in hand	1,956	(1,578)	-	378
Debt due less than one year	(296)	(94)	130	(260)
Debt due after more than one year	(119,154)	(5,914)	-	(125,068)
	<u>(117,494)</u>	<u>(7,586)</u>	<u>130</u>	<u>(124,950)</u>

Non-cash changes reflect progression in the ageing of debt due after more than one year to less than one year, the movement in finance leases and a fair value adjustment on some of the Association's debt where commitments to incur break costs have been made.

19. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Sanctuary Housing Association, registered in England as an Registered Society (Number 19059R) and with the Homes and Communities Agency (Number L0247). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester, WR1 3ZQ.

**Notes to the Financial Statements (continued)**

**20. Related party transactions**

Related party transactions between members of the Committee of Management and the entities within Sanctuary Group are disclosed in note 7 – Committee of Management members' emoluments.

During the year, Sanctuary Housing Association recharged the association a total of £11,614,000 (2015: £7,658,000) in costs including £1,664,000 in management charges (2015: £2,717,000). Sanctuary Housing Association was recharged by the Association a total of £866,000 (2015: £566,000). At the year end the Association owed Sanctuary Housing Association a sum of £429,000 (2015: £408,000).

During the year, Sanctuary Maintenance Contractors Limited recharged the Association a total of £1,940,000 (2015: £1,756,000). Sanctuary Maintenance Contractors Limited was not recharged by the Association during the year (2015: £203,000). At the year end the Association owed Sanctuary Maintenance Contractors Limited a sum of £246,000 (2015: £76,000).

During the year, Cumbernauld Housing Partnership Limited recharged the Association a total of £1,054,000 (2015: £192,000). Cumbernauld Housing Partnership Limited was recharged by the Association a total of £1,649,000 (2015: £745,000). At the year end Cumbernauld Housing Partnership Limited owed the Association a sum of £39,000 (2015: £62,000).

During the year, Tenants First Housing Co-operative Limited recharged the Association a total of £155,000 (2015: £73,000). Tenants First Housing Co-operative Limited was recharged by the Association a total of £100,000 (2015: 205,000). At the year end Tenants First Housing Co-operative Limited owed the Association a total of £85,000 (2015: £nil).

During the year, Sanctuary Treasury Limited recharged the Association a total of £33,000 (2015: 306,000). There was no balance owed at the year end (2015: none).

**21. Events after the reporting period**

There are no events after the reporting period to report.



**Notes to the Financial Statements (continued)**

**22. Explanation of transition to IFRS**

As stated in note 1, these are the Association's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening IFRS Statement of Financial Position at 1 April 2014 (the Association's date of transition).

In preparing its opening IFRS Statement of Financial Position, the Association has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

The transition to IFRS has not resulted in any changes in classification or carrying amounts of financial assets or liabilities designated as fair value through income and expenditure or any financial assets designated as available-for-sale.

An explanation of how the transition from UK GAAP to IFRS has affected the Association's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements (continued)

22. Explanation of transition to IFRS (continued)

Reconciliation of equity

		31 March 2015			1 April 2014		
	Notes	UK GAAP £,000	Effect of transition to IFRS £'000	IFRS £'000	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
<b>Assets</b>							
<b>Non-current assets:</b>							
Property, plant and equipment	a	302,050	1,885	303,935	275,196	1,344	276,540
Housing association grant		(167,382)	-	(167,382)	(149,326)	-	(149,326)
Other investments		-	-	-	-	-	-
		<u>134,668</u>	<u>1,885</u>	<u>136,553</u>	<u>125,870</u>	<u>1,344</u>	<u>127,214</u>
<b>Current assets:</b>							
Trade and other receivables		887	-	887	1,834	-	1,834
Inventory		2,439	-	2,439	390	-	3,029
Cash and cash equivalents		378	-	378	1,956	-	1,956
		<u>3,704</u>	<u>-</u>	<u>3,704</u>	<u>4,180</u>	<u>-</u>	<u>4,180</u>
<b>Total assets</b>		<u><b>138,372</b></u>	<u><b>1,885</b></u>	<u><b>140,257</b></u>	<u><b>130,050</b></u>	<u><b>1,344</b></u>	<u><b>131,394</b></u>
<b>Liabilities</b>							
<b>Current liabilities:</b>							
Trade and other payables	b	7,002	(260)	6,742	4,862	-	4,862
Loans and borrowings		-	260	260	308	-	308
		<u>7,002</u>	<u>-</u>	<u>7,002</u>	<u>5,170</u>	<u>-</u>	<u>5,170</u>
<b>Non-current liabilities:</b>							
Loans and borrowings		125,068	-	125,068	119,154	-	119,154
<b>Total liabilities</b>		<u><b>132,070</b></u>	<u><b>-</b></u>	<u><b>132,070</b></u>	<u><b>124,324</b></u>	<u><b>-</b></u>	<u><b>124,324</b></u>
<b>Equity</b>							
<b>Equity attributable to owners of the parent:</b>							
Ordinary shares		-	-	-	-	-	-
Retained earnings	a	6,302	1,885	8,187	5,726	1,344	7,071
<b>Total equity</b>		<u><b>6,302</b></u>	<u><b>1,885</b></u>	<u><b>8,187</b></u>	<u><b>5,726</b></u>	<u><b>1,344</b></u>	<u><b>7,071</b></u>
<b>Total equity and liabilities</b>		<u><b>138,372</b></u>	<u><b>1,885</b></u>	<u><b>140,257</b></u>	<u><b>130,050</b></u>	<u><b>1,344</b></u>	<u><b>131,394</b></u>

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements (continued)

22. Explanation of transition to IFRS (continued)

Reconciliation of total comprehensive income

	Notes	31 March 2015		
		UK GAAP	Effect of transition to IFRS	IFRS
		£'000	£'000	£'000
<b>Continuing operations</b>				
Revenue		13,336	-	13,336
Operating expenditure	a	(7,231)	541	(6,690)
Other gains and losses	c	-	208	208
<b>Operating surplus</b>		<b>6,105</b>	<b>749</b>	<b>6,854</b>
Surplus on sale of fixed assets	c	208	(208)	-
Finance costs		(5,737)	-	(5,737)
<b>Surplus for the year from continuing operations</b>		<b>576</b>	<b>541</b>	<b>1,117</b>

Notes to the reconciliations

a) Property, plant and equipment and social housing grant

Under old UK GAAP the Association's fixed assets were split between properties and operating assets; both classifications were treated per FRS 15 'Tangible Fixed Assets'. These balances have been combined under property, plant and equipment in the reconciliation.

IFRS permits asset related grants to be deducted from the cost of the related assets, which is consistent with the treatment under old UK GAAP, however the Association no longer shows these separately on the face of the Statement of Financial Position; they are instead included as part of the property, plant and equipment balances.

Revisions to the housing SORP have driven a change in depreciation; this change is also required on transition to IFRS and has resulted in a reduction in accumulated depreciation in the opening Statements of Financial Position of £1,344,000 for the Association; these adjustments have been made directly against revenue reserves. For the year ended 31 March 2015, further adjustments of £541,000 have been made for Association; these adjustments have resulted in a decrease in operating expenditure.



**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements (continued)**

**22. Explanation of transition to IFRS (continued)**

**Notes to the reconciliations continued**

**Property, plant and equipment**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
UK GAAP *	302,050	275,196
Show balances net of grants	(167,382)	(149,326)
Revision to accumulated depreciation	1,885	1,344
Total adjustment	(165,497)	(147,982)
IFRS	136,553	127,214

\* Property and operating assets

b) Other gains and losses

IFRS considers the circumstances in which gains or losses on the sale of property, plant and equipment should be presented outside operating profit to be extremely rare since the use of property, plant and equipment is generally part of an entity's operating activities. Surpluses from fixed asset sales have therefore been moved to fall within operating surplus and re-named other gains and losses.

**Explanation of material adjustments to the Statement of Cash Flows**

There is no material difference between the Statement of Cash Flows presented under EU-IFRS and the Statement of Cash Flows previously presented under UK GAAP.