SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Scottish Registered Charity:	**SC024549**
Scottish Housing Regulator:	**HEP302**
Registered Society Number:	**2508RS**

Annual Report and Financial Statements for the year ended 31 March 2017

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Board of Management and Advisors

Members of the Board of Management

Arthur Bruce
Alexander Clark (Deputy Chairperson)
Peter Cowe
Kenneth Gibb (Chairperson)
J' (Deputy Chairperson)
Michael McGrane
Suzanne Phee
Alexandra Tate
Alan West

Corporate Director

Sanctuary Housing Association

Secretary

Sophie Atkinson

Independent auditor

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One Snowhill
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Scottish registered charity number

SC024549

The Board of Management's report

The Board of Management (the Board) presents its Annual Report and the audited financial statements for the year ended 31 March 2017.

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.

Transfer of engagements

On 26 August 2016 the assets and liabilities of Cumbernauld Housing Partnership limited (Cumbernauld) and Tenants First Housing Co-operative Limited (Tenants First), fellow Group entities, were transferred to the Association via a transfer of engagements.

These financial statements reflect increased revenue and costs as a result of the transfer, as well as an increase in units in management. In addition, the Statement of Comprehensive Income on page 12 includes a gain of £37,623,000 resulting from the transfer.

Full details of the assets and liabilities transferred are shown in note 24.

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:

	Revenue		Operating surplus	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
General needs	20,554	12,820	9,762	6,857
Sheltered and supported housing	1,483	799	410	307
Other activities	1,039	171	585	7
Other gains and losses	-	-	309	(212)
Totals	**23,076**	**13,790**	**11,066**	**6,959**

The Board of Management's report (continued)

Review of business activities (continued)

The Executive Team and the Board 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 2017**	**Actual for year 2016**
Current tenant arrears as a % of gross annual rent	6.33%	4.04%
Void loss as a % of gross annual rent	0.97%	0.24%

Accommodation in management

	2017	**2016**
Social housing accommodation:		
General needs housing	6,091	2,932
Sheltered & supported housing accommodation	422	163
Total units in management	**6,513**	**3,095**
Not available for letting	(383)	-
Total stock available for letting	**6,130**	**3,095**

383 (2016: nil) units are being held vacant pending demolition as part of the Cumbernauld high rise project.

24 (2016: 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.

Housing management

Void loss for available to let properties was 0.97% (2016: 0.24%). The level of current tenant rent arrears at the year end increased to 6.33% (2015: 4.04%) of the annual rental amount.

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 in Scotland totalling £48,000 for a wide range of such events. These events and projects benefited nearly four thousand people, making a very real difference to the quality of life in the estates and communities which the Association serves.

Property maintenance and improvement

During the year, Sanctuary Maintenance Contractors Limited continued to expand the services it offers to the Association, now providing 87% of gas repair and servicing in Scotland. Services also include both reactive and voids maintenance and estates services.

The maintenance service will continue to roll-out in-house delivery of repairs and servicing, delivering a high quality, sustainable service which will support the future growth aspirations of the Association. A Maintenance Review programme is being implemented, delivering savings and other associated benefits to achieve a 'smarter maintenance' service, ensuring greater customer benefits and efficiencies. Our continued investment in technology will support operational improvements and efficiency through increased customer self-service, integrated materials management and electronic support planning.

The Board of Management's report (continued)

Review of business activities (continued)

Support services

The Association operates a Sheltered Housing Support Service at its eight sheltered housing developments in Scotland; two in Dundee, three in Aberdeen and a further three developments across the wider Aberdeenshire area. All eight developments have had local authority funding confirmed for 2017/2018 under the Supporting People Programme.

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 Board 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 (September 2016) 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 recent transfer of engagements of Tenants First and Cumbernauld to the Association; and
- The ongoing rollout of the SAP ERP system across the Group in 2017/18.

Corporate governance

Following the transfer of engagements of the two other Group social housing organisations in Scotland, in August 2016, a key focus of the Board of Management has been the integration of the operations of the former Cumbernauld and Tenants First entities. The merger has resulted 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.

The Board of Management's report (continued)

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

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

Co-operative and Community Benefit Society and charity law require the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management has elected to prepare the financial statements in accordance with International Financial Reporting Standards (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 Board 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 2012, 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 Board 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 Board 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.

The Board 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 Board of Management 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 and PWC (internal auditor) to provide reasonable assurance that control procedures are in place and are being followed.
- The Group Audit and Risk Committee received 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 Board of Management.

During the year the Group migrated its housing, assets and maintenance systems to SAP, the Group's new IT platform, known internally as OneSanctuary. The Group Board, Group Audit and Risk Committee and Board of Management 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 Board 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 2017 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.

Future developments and corporate issues

The year to 31 March 2017 saw a continued high level of development activity with a total of 62 new homes (2016: 286) completed. 56 homes for social rent and 6 for affordable home ownership (through the shared equity model) were completed on projects in Cumbernauld and Glasgow.

The Association expects to complete over seven hundred homes at sites across Scotland in 2017/18, including it's first mid market rent properties for key workers at the former Craiginches prison site in Aberdeen, being built in conjunction with the Associations new subsidiary, Sanctuary Homes (Scotland) Limited. Other planned completions include 206 homes for social and mid market rent in the final phase of the Anderston Project in Glasgow and 111 at Allanfauld Road in Cumbernauld.

The Board of Management's report (continued)

Future developments and corporate issues (continued)

The Association recently acquired a 25% stake in the former Victoria Infirmary site in Glasgow, purchased by the Group from the National Health Service (NHS) in August 2016, and is in the process of developing the site to provide modern, stylish homes for first time buyers, families and older buyers. The site is currently being prepared and consultation of the local community is ongoing. The site preparation includes the survey and removal of asbestos and other hazardous materials from the site, the clearance of dilapidated buildings and the careful removal of ancillary buildings surrounding the Nightingale wings.

Over 2016/2017 the Association successfully concluded the transfer of engagements process with Cumbernauld and Tenants First. In line with promises made before the transfer, the Association is committed to increasing reinvestment expenditure and introducing a cap on rent increases to a maximum of RPI plus 0.5% for three years.

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 2017, 96% of the Association's debt was on fixed rate terms (2016: 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, 1.30% (2016: 1.38%) 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 £41,537,000 (2016: £461,000). The Association has £50,185,000 (2016: £8,648,000) of revenue reserves and support via £1,448,000 (2016: £1,599,000) of loan funding from the Association's parent undertaking, Sanctuary Housing Association and £156,889,000 (2016: £124,310,000) from Sanctuary Treasury Limited, a fellow Group undertaking.

The Board of Management's report (continued)

Board of Management Members

Iain Blackwood	(resigned 21 September 2016)
James Coleman	(resigned 21 September 2016)
John Holcombe	(resigned 9 November 2016)
Sima Moradi	(resigned 21 September 2016)
Jack Payne	(resigned 21 September 2016)
Suzanne Phee	
Sanctuary Housing Association	

The following new members were appointed to the Board of Management on 21 September 2016:

Arthur Bruce	
Alexander Clark	Deputy Chairperson
Peter Cowe	
Kenneth Gibb	Chairperson
J'	Deputy Chairperson
Michael McGrane	
Alexandra Tate	
Alan West	

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 Board 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 Board.

Going concern

The Board 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 Board of Management.

Sophie Atkinson
Secretary
15 August 2017

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 2017 set out on pages 12 to 47. 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 Board of Management and auditor

As more fully explained in the Statement of Board of Management's Responsibilities set out on page 6, the association's Board of Management are 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 that Act. 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.

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 2017 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 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us 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
- The information given in the Board of Management's Report is inconsistent in any material respect with the financial statements; or
- We have not received all the information and explanations we need for our audit.

Independent auditor's report to Sanctuary Scotland Housing Association Limited (continued)

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 pages 6 and 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.

GDocherty.

Gordon Docherty
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
22 August 2017

Statement of Comprehensive Income for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue	2	23,076	13,790
Operating expenditure	2	(12,319)	(6,619)
Other gains and (losses)	7	309	(212)
Operating surplus	2,4	**11,066**	**6,959**
Gain on business combinations	24	37,623	-
Finance Income	8a	3	2
Finance costs	8b	(7,705)	(6,500)
Surplus for the year from continuing operations		**40,987**	**461**
Other comprehensive income			
Items that will not be reclassified subsequently to income or expense:			
Re-measurement of defined benefit pension scheme liability	17	550	-
Other comprehensive income for the year		**550**	**-**
Total comprehensive income for the year		**41,537**	**461**

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

The notes on pages 16 to 47 form part of these financial statements.

Statement of Financial Position as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Assets			
Non-current assets:			
Property, plant and equipment	9	249,164	142,959
Investment Property	10	42	-
Other Investments	11	1	-
		249,207	142,959
Current assets			
Inventory	12	949	367
Trade and other receivables	13	12,834	4,905
Cash and cash equivalents	20	-	581
		13,783	5,853
Total Assets		**262,990**	**148,812**
Liabilities			
Current liabilities:			
Trade and other payables	14	14,147	4,344
Cash and cash equivalents	20	1,500	-
Loans and borrowings	15	2,570	1,878
		18,217	6,222
Non-current liabilities			
Loans and borrowings	15	192,091	133,942
Retirement benefit obligations	17	2,497	-
		194,588	133,942
Total liabilities		**212,805**	**140,164**
Equity			
Equity attributable to owners of the parent:			
Ordinary shares	18	-	-
Retained earnings		50,185	8,648
Total Equity		**50,185**	**8,648**
Total Equity and liabilities		**262,990**	**148,812**

The notes on pages 16 to 47 form part of these financial statements.

The financial statements were approved by the Board of Management on 15 August 2017 and signed on its behalf by:

Kenneth Gibb
Chairperson

Alexander Clark
Deputy Chairperson

J'
Deputy Chairperson

Sophie Atkinson
Secretary

Statement of Changes in Equity for the year ended 31 March 2017

	Share capital £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2015	-	8,187	8,187
Surplus for the year	-	461	461
Total comprehensive income	-	461	461
At 31 March 2016	-	8,648	8,648
At 1 April 2016	-	8,648	8,648
Surplus for the year	-	40,987	40,987
Other comprehensive income	-	550	550
Total comprehensive income	-	41,537	41,537
At 31 March 2017	-	**50,185**	**50,185**

The notes on pages 16 to 47 form part of these financial statements

Statement of Cash Flows for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Surplus		40,987	461
Adjustments for:			
Depreciation	4	1,856	1,067
Gain on business combinations	24	(37,623)	-
(Gain)/loss on sale of property, plant and equipment	7	(309)	212
Net finance costs	8	7,702	6,498
		(28,374)	7,777
Cash generated before working capital movements		12,613	8,238
Changes in:			
Trade and other receivables		2,057	4,494
Trade and other payables		(18,515)	(5,293)
Provisions		33	-
		(16,425)	(799)
Cash generated from operating activities		(3,812)	7,439
Interest paid		(8,443)	(6,890)
Net cash (outflow)/inflow from operating activities		**(12,255)**	**549**
Cash flows from investing activities			
Interest received		122	69
Proceeds from sale of property, plant and equipment		1,532	469
Acquisition and construction of property, plant and equipment and investment property		(69,987)	(21,952)
Capital grants received		42,538	10,460
Net cash acquired in transfer of engagements		3,751	-
Net cash outflow from investing activities		**(22,044)**	**(10,954)**
Cash flows from financing activities			
Proceeds from loans and borrowings		34,400	16,650
Repayment of borrowings		(2,182)	(6,042)
Net cash flow from financing activities		**32,218**	**10,608**
Net movement in cash and cash equivalents		**(2,081)**	**203**
Cash and cash equivalents 1 April		581	378
Cash and cash equivalents 31 March		**(1,500)**	**581**

An analysis of changes in net debt is shown in note 20.

The notes on pages 16 to 47 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 Board of Management in accordance with 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 Board 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 Board of Management's report on page 3.

The Board 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 Board 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.

IFRSs not yet applied

The below list details new standards, amendments and interpretations which are either not effective or not yet endorsed by the EU, which may have an impact on the accounting within the Group's financial statements in future periods:

- Amendments to IAS 7 Statement of cash flows (effective for annual periods beginning on or after 1 January 2017)
- Amendments resulting from Annual Improvements 2014 - 2016 Cycle (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 40 Investment property (effective for annual periods beginning on or after 1 January 2018)
- 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)

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

IFRSs not yet applied (continued)

The Association is currently reviewing the impact of IFRS 9, IFRS 15 and IFRS 16 to determine both the accounting and disclosure implications.

The Group 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 impact the financial statements of the Group.

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.

Investment property is property held to earn rentals or for capital appreciation or both. The Association considers all of its commercial 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.

Retirement benefit obligation valuations

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group.

- inflation rate;
- life expectancy;
- discount rate; and
- salary and pension growth rates.

The Association is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets.

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
- Factoring and management services income for third party properties.
- 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 – 7 years
Computer equipment (excluding software)	4 – 10 years

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The Association classifies its commercial property as investment property. The Group has chosen to apply the cost model to all of its investment properties; they are therefore stated at cost less accumulated depreciation.

Depreciation on investment properties is charged on a straight-line basis to write off assets over their expected economic useful lives as follows:

Investment property	As per property, plant and equipment

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.

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). For 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

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.

Transfers of engagements - internal restructuring

A transfer of engagements is treated as an acquisition in the receiving entity with assets and liabilities being fair valued using external data available and any gains on business combinations presented in the receiving entity. Should there be a contractual obligation to transfer an acquired entity's engagements at the time of initial acquisition, there are no fair value movements on transfer. There is no consideration paid.

Retirement benefits

The Association's pension arrangements comprise two defined benefit schemes. Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Association recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included within Other Comprehensive Income. Current and past service costs, curtailments and settlements are recognised within operating surplus. Interest on net pension liabilities is recognised as a finance expense. Key assumptions used in determining the valuation of defined benefit schemes are given within critical accounting estimates and assumptions.

For defined benefit pension schemes where a debt has been, or is soon to be, crystallised, the Group and Association recognise the full liability on the Statement of Financial Position based upon a cessation valuation.

Notes to the Financial Statements (continued)

2. Revenue, Operating Costs and Operating Surplus

	2017 Revenue £'000	2017 Operating costs £'000	2017 Other gains/ (losses) £'000	2017 Operating Surplus/ (deficit) £'000	2016 Operating Surplus/ (deficit) £'000
Social housing lettings	22,037	(11,865)	-	10,172	7,164
Other social housing activities	1,039	(454)	-	585	7
Other gains and losses	-	-	309	309	(212)
Total	**23,076**	**(12,319)**	**309**	**11,066**	**6,959**
Total for previous year	**13,790**	**(6,619)**	**(212)**	**6,959**	

3a. Income and Expenditure from Social Housing Lettings

	Rented housing £'000	Supported housing £'000	2017 Total £'000	2016 Total £'000
Income from lettings				
Rents receivable net of service charges	20,399	1,239	21,638	13,229
Service charges	272	244	516	422
Gross income from rents and service charges	20,671	1,483	22,154	13,651
Less voids	(117)	-	(117)	(32)
Net income from rents and service charges	**20,554**	**1,483**	**22,037**	**13,619**
Expenditure on lettings				
Management and maintenance administration costs	(3,979)	(272)	(4,251)	(2,454)
Services costs	(1,316)	(226)	(1,542)	(835)
Reactive maintenance	(3,400)	(380)	(3,780)	(1,580)
Planned and cyclical maintenance	(786)	(38)	(824)	(629)
Bad debt charges – rents and service charges	(295)	(51)	(346)	(58)
Depreciation of social housing	(1,016)	(106)	(1,122)	(899)
Operating costs from social letting activities	**(10,792)**	**(1,073)**	**(11,865)**	**(6,455)**
Operating surplus from social letting activities	**9,762**	**410**	**10,172**	**7,164**
Operating surplus from social letting activities for previous year	**6,857**	**307**	**7,164**	

Notes to the Financial Statements (continued)

3b. Income and Expenditure from Other Activities

	Other income	Other operating costs	Operating surplus/ (deficit)	2016 Operating Surplus/ (deficit)
	£'000	£'000	£'000	£'000
Management services for Registered Providers	-	(45)	(45)	(118)
Supporting People contract income	182	(182)	-	-
Other	857	(227)	630	125
Total from other activities	**1,039**	**(454)**	**585**	**7**
Total from other activities for the previous year	**171**	**(164)**	**7**	

4. Operating Surplus

	2017	2016
	£'000	£'000
The operating surplus is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,856	1,067
(surplus)/deficit on the sale of property, plant and equipment	(309)	212
Auditors' remuneration – audit	26	27

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

5. Board of Management Members' Emoluments

Alan West received remuneration from the parent undertaking, Sanctuary Housing Association. Any expenses payable were also borne by the parent undertaking and are negligible.

The Members of the Board of Management were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £3,000 (2016: £6,000).

Notes to the Financial Statements (continued)

6. Employee Information

	2017 £'000	2016 £'000
Employee costs charged during the period amounted to:		
Wages and salaries	397	-
Social security costs	35	-
Other pension costs	86	-
	518	-

	2017 Number	2016 Number
The average monthly number of persons employed during the period expressed in full-time equivalents was:		
Office based staff	13	-
	13	-

Following transfer of engagements on 26 August 2016, employees from Cumbernauld Housing Partnership Limited and Tenants First Housing Co-operative Limited became employees of the Association (see note 24).

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

7. Other gains and losses

	2017 £'000	2016 £'000
Proceeds	1,532	469
Cost of disposals	(1,223)	(681)
	309	(212)

8. Finance income and costs

a) Finance income

	2017 £'000	2016 £'000
Interest receivable from:		
Short-term cash deposits	3	2

b) Finance costs

	2017 £000	2016 £000
Interest on loans from group undertakings	7,351	6,397
Interest on external loans	890	394
Less: amounts transferred to housing properties in the course of construction	(556)	(291)
Finance costs of defined benefit pension schemes	20	-
	7,705	6,500

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
Cost					
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)	-
Transfers to inventory	(2,091)	-	-	(2,340)	(4,431)
Disposals	(1,054)	(22)	-	-	(1,076)
Balance at 31 March 2016	311,093	72	720	21,998	333,883
Balance at 1 April 2016	311,093	72	720	21,998	333,883
Additions	139,569	202	4	82,321	222,096
Transfers at completion	7,418	-	-	(7,418)	-
Transfer to inventory	-	-	-	(1,047)	(1,047)
Disposals	(2,132)	(45)	-	-	(2,177)
Balance at 31 March 2017	455,948	229	724	95,854	552,755
Depreciation and impairment					
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	8,492	55	260	-	8,807
Balance at 1 April 2016	8,492	55	260	-	8,807
Depreciation charge for the year	1,778	24	55	-	1,857
Disposals	(264)	(45)	-	-	(309)
Balance at 31 March 2017	10,006	34	315	-	10,355
Housing association grant					
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)	-
Transfers to inventory	(2,616)	-	-	2,404	(212)
Disposals	(254)	-	-	-	(254)
Balance at 31 March 2016	162,184	-	-	19,933	182,117
Balance at 1 April 2016	162,184	-	-	19,933	182,117
Additions	52,963	-	-	58,801	111,764
Net transfers at completion	3,495	-	-	(3,495)	-
Disposals	(645)	-	-	-	(645)
Balance at 31 March 2017	217,997	-	-	75,239	293,236
Net book value					
31 March 2017	227,945	195	409	20,615	249,164
31 March 2016	140,417	17	460	2,065	142,959
1 April 2015	126,314	32	513	9,694	136,553

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 2017; no impairments have been identified.

Land and buildings

Of the total net book value of land and buildings, £227,577,000 is freehold (2016: £140,417,000).

Offices

Of the total net book value for offices, £409,000 is freehold (2016: £460,000).

10. Investment property

	£'000
Cost	
Balance at 31 March 2016	-
Transfer of engagements (note 24)	209
Balance at 31 March 2017	209
Other grant	
Balance at 31 March 2016	-
Transfer of engagements (note 24)	(167)
Balance at 31 March 2017	**(167)**
Net book value	
31 March 2017	**42**
31 March 2016	-

11. Other Investments

	2017 £'000	2016 £'000
Shared Equity		
- Investment	1,545	1,545
- Grant	(1,545)	(1,545)
	-	-
Investment in shares – Energy Prospects Co-operative Limited	1	-
Subsidiary company – Sanctuary Homes (Scotland) Limited	-	-
Total other investments	1	-

Notes to the Financial Statements (continued)

11. Other Investments (continued)

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.

Sanctuary Homes (Scotland) Limited is a wholly owned subsidiary of the Association, It was incorporated in Scotland under the Companies Act in February 2017. The principal activity of Sanctuary Homes (Scotland) Limited is the management of real estate on a fee or contract basis.

The Association owns 1,341 shares in Energy Prospects Co-operative Limited. These were transferred to the Association from Tenants First following the transfer of engagements.

12. Inventory

	£'000
Shared equity properties:	
Cost of properties as at 1 April 2016	367
Additions (transfers from property, plant and equipment)	1,047
Disposals	(465)
Cost of properties as at 31 March 2017	949
Total properties held for sale as at 31 March 2017	**949**
Total properties held for sale as at 31 March 2016	367

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.

13. Trade and other receivables

	2017 £'000	**2016 £'000**
Current:		
Tenant rental receivables (note 16)	2,093	671
Tenant rental bad debt provision (note 16)	(922)	(285)
Other trade receivables	683	41
Amounts owed from fellow group undertakings	1,511	125
Prepayments	39	13
Accrued income	9,189	4,321
Other receivables	241	19
	12,834	4,905

Amounts due from parent and fellow Group undertakings are trading in nature and do not bear interest.

Notes to the Financial Statements (continued)

14. Trade and other payables

	2017 £'000	2016 £'000
Current:		
Trade payables	4,498	364
Amount due to Group entities	1,569	689
Other payables	574	187
Accruals	7,340	2,998
Deferred income	166	106
	14,147	4,344

Amounts due to fellow group undertakings and parent undertaking are trading in nature and do not bear interest.

15. Loans and borrowings

	2017 £'000	2016 £'000
Current:		
Amounts owed to Group entities	2,125	1,878
Bank loans and mortgages	445	-
	2,570	1,878
Non-current:		
Amounts owed to fellow Group entities	148,403	124,032
Bank loans and mortgages	43,688	9,910
	192,091	133,942
Total loans and borrowings	194,661	135,820

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

	2017 £'000	2016 £'000
In one year or less	2,570	1,878
Between one and two years	16,362	1,938
Between two and five years	9,886	17,933
In five years or more	165,843	114,071
	194,661	135,820

Notes to the Financial Statements (continued)

16. Financial instruments and risk management

Financial risk management objectives and policies

The Group'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 Group'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 and Risk 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

	2017 £'000	2016 £'000
Rental receivables (note 13)	1,171	386
Other trade receivables (note 13)	683	41
Other receivables (note 13)	9,430	4,340
Amounts due from Group entities (note 13)	1,511	125
Cash and cash equivalents	-	581
	12,795	5,473

Of the above loans and receivables balances, rental receivables, amounts due from parent undertaking, amounts due from subsidiary undertakings and other receivables £12,795,000 (2016: £4,892,000) derive from current trade and other receivables balances on the Statement of Financial Position. Trade and other receivables totalled £12,834,000 at 31 March 2017 (2016: £4,905,000). The remaining balances of £39,000 (2016: £13,000) are not considered to fall within the definition of a financial asset.

Notes to the Financial Statements (continued)

16. 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

	2017 £'000	2016 £'000
Debt finance excluding setup costs (note 15)	2,627	1,944
Trade payables (note 14)	4,498	364
Amounts due to Group entities (note 14)	1,569	689
Other payables (note 14)	740	293
Cash and cash equivalents	1,500	-
	10,934	3,290

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 £14,147,000 (2016: £4,344,000). The difference between the Statement of Financial Position and the amounts disclosed above is £7,340,000 (2016: £2,998,000) 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 deducting setup costs.

Other financial liabilities – non-current

	2017 £'000	2016 £'000
Debt finance excluding setup costs (note 15)	192,720	134,499
	192,720	134,499

Non-current trade and other payables as disclosed in the Statement of Financial Position totalled £nil (2016: £nil). Debt finance consists of loans and mortgages and is presented before deducting setup costs.

Total current and non-current other financial liabilities at 31 March 2017 were £203,654,000 (2016: £137,789,000).

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.

Where applicable, all assets and liabilities at fair value through the Income Statement are 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 16a.

Notes to the Financial Statements (continued)

16. 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 2017 was:

	£'000	%
Fixed rate financial liabilities	187,107	96.1
Variable rate financial liabilities	7,554	3.9
	194,661	100.0

The weighted average interest rate of the Association's total financial liabilities is 4.58% (2016: 4.94%). The weighted average life of fixed rate financial liabilities is 19.4 years (2016: 22.2 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 £448,000 (2016: £320,000).

A comparison of the book value to fair value of Association's long-term borrowings at 31 March 2017 is set out below.

	2017 Book Value £'000	2017 Fair Value £'000
Bank loans and mortgages (note 15)	43,688	44,250
Amounts owed to Group entities (notes 15)	148,403	206,306
	192,091	250,556

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

(i) The book value of loans with a maturity of less than one year is assumed to equate to their carrying value.

(ii) The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.

(iii) 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)

16. 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)

16. 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 2017	Debt	Interest on debt	Other liabilities not in net debt	Total
	£'000	£'000	£'000	£'000
Due less than one year	(2,425)	(9,632)	(6,641)	(18,698)
Between one and two years	(16,207)	(8,923)	-	(25,130)
Between two and three years	(3,089)	(8,445)	-	(11,534)
Between three and four years	(3,100)	(8,231)	-	(11,331)
Between four and five years	(3,110)	(7,976)	-	(11,086)
Greater than five years	(159,047)	(115,294)	-	(274,341)
Gross contractual cash flows	**(186,978)**	**(158,501)**	**(6,641)**	**(352,120)**

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)
Gross contractual cash flows	**(127,880)**	**(141,676)**	**(1,346)**	**(270,902)**

Notes to the Financial Statements (continued)

16. 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 £15,000,000 as at 31 March 2017 (2016: £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 the Board of Management on a regular basis and recovery of debts is coordinated through operational management teams.

Tenant rental receivable arrears

Gross tenant rental arrears due as at 31 March 2017 totalled £2,093,000 (2016: £671,000). 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:

	2017 £'000	2016 £'000
Less than 30 days	250	204
30 to 60 days	684	136
60 to 90 days	278	89
More than 90 days	881	242
Balance as at 31 March	2,093	671

There is a provision against £922,000 (2016: £285,000) of this balance leaving a net rental arrears balance of £1,171,000 (2015: £386,000) (see note 13).

Tenant rental receivable arrears provision

	2017 £'000	2016 £'000
Balance as at 1 April	285	264
Provided in the year	411	55
Transfer of engagements	308	-
Amounts written off	(82)	(34)
Balance as at 31 March	922	285

Notes to the Financial Statements (continued)

16. 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.

Other trade receivables

Gross other trade receivables balances as at 31 March 2017 totalled £942,000 (2016: £124,000). Of this balance £505,000 (2016: £104,000) was deemed past due. Normal payment terms are 30 days. The age of gross other trade receivables balances was as follows:

	2017 £'000	2016 £'000
Less than 30 days	437	20
30 to 60 days	48	-
60 to 90 days	1	-
More than 90 days	456	104
Balance as at 31 March	942	124

There is a provision against £259,000 (2016: £83,000) of this balance leaving a net other trade receivables balance of £683,000 (2016: £41,000) (see note 13).

Other trade receivables provision

	2017 £'000	2016 £'000
Balance as at 1 April	83	122
Released in the year	(87)	(21)
Transfer of engagements	265	-
Amounts written off	(2)	(18)
Balance as at 31 March	259	83

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.

Notes to the Financial Statements (continued)

16. Financial instruments and risk management (continued)

Analysis of risks (continued)

c) Credit risk (continued)

The maximum credit risk at 31 March 2017 and 2016 was as follows:

	2017 £'000	2016 £'000
Receivables	12,795	4,892
Cash and cash equivalents	-	581
	12,795	5,473

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 review of business activities in the Board of Management's report.

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
- 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 2017, £1,171,000 (2016: £386,000).

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 2017 totalled £nil (2016: £nil).

f) Capital

The Association considers its capital balances to be share capital (note 18) and reserves (Statement of Changes in Equity).

Notes to the Financial Statements (continued)

17. Retirement benefits

The Association participated in two funded defined benefit schemes. All schemes' assets are held in separate funds administered by the Trustees of each scheme. Details are given below.

Strathclyde Pension Fund

Following a transfer of engagements from Cumbernauld Housing Partnership Limited on 26 August 2016, the Association became an admitted body of the Strathclyde Pension Fund, part of the Scottish Local Government Pension Scheme. The Association has contributed at a rate of 17.2% of pensionable salaries for the current year. Members have contributed at a rate of between 5.5% and 12.0% for the current year.

North East Scotland Pension Fund

Following a transfer of engagements from Tenants First Housing Co-operative Limited on 26 August 2016, the Association became an admitted body of the North East Scotland Pension Fund, part of the Scottish Local Government Pension Scheme. The Association contributed at a rate of 19.3% of pensionable salaries for the year. Members have contributed at a rate of between 5.5% and 12% of pensionable salaries for the year.

The financial assumptions used to calculate scheme liabilities for both the Strathclyde Pension Fund and the North East Scotland Pension Fund under IAS 19 Employee Benefits were as follows.

IAS 19 Employee Benefits

	2017 %	2016 %
Inflation (RPI)	3.45	3.00
Rate of increase in salaries for the next two years	3.35	0.00
Rate of increase in salaries thereafter	3.35	2.00
Rate of increase for pensions in payment	2.45	2.00
Rate of increase for deferred pensions	3.45	3.00
Discount rate	2.50	3.55

Notes to the Financial Statements (continued)

17. Retirement benefits continued

The assumptions for mortality rates use the Self-Administered Pension Scheme (SAPS) All Pensioners (excluding dependents) 'amounts' tables, with projected improvement rates varying by year of birth with medium cohort and 1.25% pa minimum improvements for males and 1.00% for females. Based on these assumptions, the average future life expectancies at age 65 are:

	Males	Females
Current pensioners	23.2 years	24.9 years
Future pensioners	24.9 years	26.4 years

Expected return on assets

In line with financial reporting standards, the expected return on assets across all types of asset class is aligned with the discount rate of 2.5% pa as at 31 March 2017 (31 March 2016: 3.55%).

The fair values of assets in the schemes, split between quoted and unquoted investments, are as follows:

	2017		**2017**			**2016**		**2016**
	£'000	**£'000**	**£'000**	**%**	**£'000**	**£'000**	**£'000**	**%**
	Quoted	Unquoted	Total		Quoted	Unquoted	Total	
Equities	7,974	750	8,724	55.0	-	-	-	-
Bonds	867	-	867	5.4	-	-	-	-
Property	-	1,572	1,572	9.8	-	-	-	-
Other	106	4,632	4,738	29.8	-	-	-	-
Total value of assets	8,947	6,954	15,901	100.0	-	-	-	-

Reconciliation of the fair value of assets with the effect of the asset ceiling:

	2017 £'000	**2016 £'000**
Fair value of defined benefit assets	15,901	-
Effect of net asset ceiling	-	-
Total present value of defined benefit assets	**15,901**	**-**

Scheme liabilities are reflected in the Statements of Financial Position:

	2017 £'000	**2016 £'000**
Present value of employer assets	15,901	-
Present value of funded liabilities	(18,398)	-
Net liability	**(2,497)**	**-**

Notes to the Financial Statements (continued)

17. Retirement benefits (continued)

An analysis of the expense reflected in the Statement of Comprehensive Income

Amounts charged to operating surplus:	**2017 £'000**	**2016 £'000**
Current service cost	(137)	-
Past service cost	-	-
Expenses	(1)	
Total service cost	(138)	-

Analysis of amount charged to finance cost:	**2017 £'000**	**2016 £'000**
Interest income on plan assets	214	-
Interest cost on defined benefit obligations	(234)	-
Total amount charged to finance cost	**(20)**	-

The total amount recognised in Other Comprehensive Income:	**2017 £'000**	**2016 £'000**
Change in demographic assumptions	(77)	-
Change in financial assumptions	(459)	-
Gains on scheme assets excluding interest	1,086	-
Total remeasurement gains	550	-

Reconciliation of the opening and closing balances of the present value of scheme assets:

	2017 £'000	**2016 £'000**
Opening fair value of assets	-	-
Transfer of engagements	14,715	-
Expenses	(1)	-
Interest income on plan assets	214	-
Return on plan assets excluding interest	1,086	-
Contributions by employer	105	-
Contributions by employees	28	-
Net benefits paid (including expenses)	(246)	-
Closing fair value of the assets	**15,901**	-

Notes to the Financial Statements (continued)

17. Retirement benefits (continued)

Reconciliation of the opening and closing balances of the present value of scheme liabilities:

	2017 £'000	2016 £'000
Opening defined benefit obligation	-	-
Transfer of engagements	17,709	-
Service cost	137	-
Interest cost	234	-
Contributions by employees	28	-
Change in demographic assumptions	77	-
Change in financial assumptions	459	-
Net benefits paid (including expenses)	(246)	-
Closing defined benefit obligation	**18,398**	**-**

History of defined benefit schemes in the Statements of Financial Position:

	2017 £'000	2016 £'000
Defined benefit obligations	(18,398)	-
Scheme assets	15,901	-
Net asset / (deficit)	(2,497)	-

As the Association did not participate in any defined benefit pension schemes prior to the transfer of engagements, a nil balance is shown for all years except the current year.

The Association expects to contribute the following amounts to the defined benefit schemes during the year ended 31 March 2018:

	£'000
North East Scotland	115
Strathclyde Pension Fund	55
	170

Assumption sensitivity analysis

The impact of a 0.1 percentage point movement in the primary assumptions (longevity: 1 year) on the defined benefit obligations as at 31 March 2017 is set out below:

2017	Strathclyde Pension Fund Movement £'000	North East Scotland Pension Fund Movement £'000
Discount rate +0.1%	(191)	(160)
Discount rate -0.1%	191	160
Rate of inflation +0.1%	140	164
Rate of inflation -0.1%	(140)	(164)
Life expectancy +1 year	380	178
Life expectancy -1 year	(380)	(178)

Notes to the Financial Statements (continued)

17. Retirement benefits (continued)

Assumption sensitivity analysis (continued)

The above sensitivity analyses are based on isolated changes in each assumption, whilst holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations.

The assets, held by the schemes, are to some extent designed to mitigate the full impact of these movements so that the movements in the defined benefit obligations shown above would, in practice be partly offset by movements in asset valuations.

However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant balance sheet values, and have not changed compared to the previous period.

Defined benefit schemes – risk factors

Through its post-employment pension scheme, the Association is exposed to a number of risks, the most significant of which are detailed below. The Association's focus is on managing the cash demands which the pension scheme has in place on the Association, rather than balance sheet volatility in its own right. For funded schemes cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: scheme liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit.

The Association's pension schemes hold a significant proportion of equities and similar 'growth assets', which are expected to out-perform bonds in the long term, albeit at the risk of short term volatility.

As the pension scheme matures, with a shorter time horizon to cope with volatility, the scheme Trustees and administering authority will gradually reduce holdings of growth assets in favour of increased matching assets (bonds and similar). In the meantime, the Association considers that equities and similar assets are an appropriate means of managing pension funding requirements, given the long term nature of the liabilities and the strength of the Association to withstand volatility.

Changes in bond yields: A decrease in bond yields will typically increase scheme liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in less well funded schemes where there is less potential for offsetting movements in asset values.

Inflation risk: as the Association's pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation linked bonds to provide an element of protection against this risk.

Member longevity: As the Association's post-employment obligations are generally to provide benefits for the life of the member, increases in life expectancy will result in an increase in scheme liabilities (and vice versa).

Notes to the Financial Statements (continued)

18. Called up share capital

	2017	2016
Each member holds one share of £1 in the Association	£	£
Allotted, issued and fully paid		
At 1 April	14	16
Redeemed in the year	(5)	(2)
At 31 March	9	14

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

19. Capital commitments

	2017 £'000	2016 £'000
Expenditure contracted	36,108	30,432
Authorised expenditure not contracted	122,651	76,605
	158,759	107,037

£44,595,000 (2016: £35,931,000) 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.

20. Notes to the Statement of Cash Flows

	2017 £'000	2016 £'000
Cash and cash equivalents per Statement of Financial Position	(1,500)	581
Cash and cash equivalents per Statement of Cash Flows	(1,500)	581

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)

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

Analysis of changes in net debt

	At 1 April 2016 £'000	Cash flows £'000	Acquisitions/ disposals	Non-cash changes £'000	At 31 March 2017 £'000
Cash at bank and in hand	581	(5,832)	3,751	-	(1,500)
Debt due less than one year	(1,878)	1,944	-	(2,636)	(2,570)
Debt due after more than one year	(133,942)	(34,162)	(26,749)	2,762	(192,091)
	(135,239)	**(38,050)**	**(22,998)**	**126**	**(196,161)**

	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)
	(124,950)	**(10,405)**	**116**	**(135,239)**

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.

21. 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.

22. Related party transactions

Related party transactions between members of the Board of Management and the entities within Sanctuary Group are disclosed in note 5 – Board of Management members' emoluments.

During the year, Sanctuary Housing Association recharged the Association a total of £8,722,000 (2016: £11,614,000) in costs including £2,609,000 in management charges (2016: £1,664,000). Sanctuary Housing Association was recharged by the Association a total of £3,322,000 (2016: £866,000). At the year end the Association owed Sanctuary Housing Association a sum of £1,018,000 (2016: £429,000).

During the year, Sanctuary Maintenance Contractors Limited recharged the Association a total of £8,125,000 (2016: £1,940,000). Sanctuary Maintenance Contractors Limited was recharged by the Association a total of £113,000 during the year (2016: £nil). At the year end the Association owed Sanctuary Maintenance Contractors Limited a sum of £551,000 (2016: £246,000).

During the year and up until the transfer of engagements on 26 August 2016, Cumbernauld Housing Partnership Limited recharged the Association a total of £20,000 (2016: £1,054,000). Cumbernauld Housing Partnership Limited was recharged by the Association a total of £506,000 (2016: £1,649,000). At the year end Cumbernauld Housing Partnership Limited owed the Association a sum of £nil (2016: £39,000).

Notes to the Financial Statements (continued)

22. Related party transactions (continued)

During the year and up until the transfer of engagements on 26 August 2016, Tenants First Housing Co-operative Limited recharged the Association a total of £39,000 (2016: £155,000). Tenants First Housing Co-operative Limited was recharged by the Association a total of £177,000 (2016: £100,000). At the year end Tenants First Housing Co-operative Limited owed the Association a total of £nil (2016: £85,000).

During the year, Sanctuary Treasury Limited recharged the Association a total of £nil (2016: £33,000). There was no balance owed at the year end (2016: nil).

23. Events after the reporting period

There are no events after the reporting period to report.

24. Transfer of engagements

On 26 August 2016 the assets and liabilities of Cumbernauld Housing Partnership Limited and Tenants First Housing Co-operative Limited were transferred into the Association through transfers of engagements. The transfers have been incorporated into the Association's financial statements using the acquisition method of accounting.

Transferred housing properties were valued at 'existing use value – social housing'. Based on this method, the Association recorded a gain of £37,623,000.

	Book value Cumbernauld	Book value Tenants First	Fair value adjustments	Fair value
Assets	**£'000**	**£'000**	**£'000**	**£'000**
Property, plant and equipment	29,896	31,454	21,789	83,139
Investment property	-	42	-	42
Investments	-	1	-	1
Trade and other receivables	413	4,683	-	5,096
Cash and cash equivalents	90	3,661	-	3,751
Liabilities				
Trade and other payables due within one year	(1,165)	(6,292)	-	(7,457)
Loans and borrowings	(17,250)	(26,705)	-	(43,955)
Retirement benefit obligations	(768)	(2,226)	-	(2,994)
Net assets	11,216	4,618	21,789	37,623
Consideration				-
Gain on business combination arising on transfer				**37,623**