



**Scott-Moncrieff**  
business advisers and accountants

**TOLLCROSS HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2017**

# TOLLCROSS HOUSING ASSOCIATION LIMITED

Report and Financial Statements  
For the year ended 31 March 2017

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## Registration Information

Financial Conduct Authority

Co-operative and Community Benefit Societies  
Act 2014  
Registered number 1798RS

The Scottish Housing Regulator

Housing (Scotland) Act 2010  
Registered number HCB197

Charity Number

SC040876

## TOLLCROSS HOUSING ASSOCIATION LIMITED

### Members of the Management Committee, Executive and Advisers For the year ended 31 March 2017

#### Committee of Management

Mr I Smith  
Ms A Bell  
Ms E Skimins  
Mr W Dougan  
Ms C Newton  
Mrs A Phillips  
Mr T Cleary  
Mrs E Garscadden  
Mr C Elliot  
Ms E Stewart  
Mr B McNally  
Mr S Fleming  
Ms G Wilson  
Ms G Connolly

Chairperson  
Vice Chairperson  
Secretary

(appointed 20 September 2016)

#### Executive Officers

Mr C Douglas  
Mr T Hastings  
Mr F Donohoe  
Mr M Byrne  
Miss A Fitzsimons

Chief Executive  
Finance Director  
Technical Director  
Housing Director  
Corporate Services Director

#### Registered Office

84 Braidfauld Street  
Glasgow  
G32 8PJ

#### Auditor

Scott-Moncrieff  
Statutory Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

#### Bankers

Clydesdale Bank plc  
865 Shettleston Road  
Glasgow  
G32 7NS

#### Solicitors

BTO Solicitors LLP  
48 St Vincent Street  
Glasgow  
G2 5HS

## TOLLCROSS HOUSING ASSOCIATION LIMITED

### Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017

The Committee of Management presents their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2017.

#### Strategic Report

##### Principal activities

The principal activity of the Association is the provision of rented accommodation. The Association is a Limited company incorporated in Scotland.

##### Strategy and objectives

The Association has previously identified four key themes which it continues to use to deliver the aim of improving housing conditions within our area of operation. The themes are: -

To invest and develop our assets, whereby we will investigate all new build development opportunities and provide the highest quality homes for our tenants and applicants. During the 2016-17 financial year we completed our Ogilvie Street development, which provided the area with 45 new flats for rent. In addition, we also commenced work on our Dunira Street development and this will provide a further 47 flats in the heart of Tollcross during 2017-18. As well as progressing our new build development programme, we have also ensured that our existing stock is well maintained and this included replacing 127 central heating systems during 2016-17.

To sustain financial viability, whereby we will ensure that we have appropriate and robust business practices in place to support our Business Plan and ensure the long term sustainability of the Association.

To engage with tenants and customers, whereby we will establish a range of ways for our service users to engage with us and participate in the decision making processes, where appropriate. Our Performance Improvement Network (PIN) was established in 2013 and is comprised of service users who are involved in monitoring how the Association is performing against standards set by the Scottish Government within the Scottish Social Housing Charter. The work carried out by the PIN has been acknowledged at The National Good Practices Awards.

To provide a great workplace environment, whereby we will engage with our staff and work in partnership with them to establish a positive staff culture. Work on building a new office which will bring staff from all departments under one roof for the first time is currently underway and it is anticipated that this will be complete in early 2018.

##### Review of business and future developments

The results for the year are set out in the Statement of Comprehensive Income on page 9.

During the year to 31 March 2017, the Association has continued its main business of providing rented accommodation for people in housing need. The Association has also carried out a programme of maintenance and improvements to its properties.

In 2017/18 the Association will continue in its main business and will also seek opportunities in terms of development, wider action and other initiatives.

##### Principal risks and uncertainties

The principal risks that have been identified and the steps that are being taken to mitigate them are as follows: -

Government reforms to welfare benefits may impact upon the Association's income stream and have and may also have an adverse effect on the affordability of rents. The first phase of changes, which included the introduction of the bedroom tax was extremely well handled by the Housing Management Staff and had no significant effect on arrears levels. The introduction of Universal Credit is a phased process and will be closely monitored to ensure that any issues are identified and dealt with as they arise.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

### Report of the Management Committee (incorporating the strategic report) For the year ended 31 March 2017

#### Principal risks and uncertainties (continued)

Any deterioration in the performance of the defined benefit pension schemes may result in an increase in the contribution levels required from the Association, above those included in the Business Plan. We have already closed one final salary scheme to new entrants and continue to monitor the performance of the schemes at the relevant valuation dates. The 2015 valuation of the SHAPS scheme showed a significant improvement in the overall performance of the scheme and has been considered by the Management Committee. At present no further changes are proposed to the participation in the pension schemes but the situation will be reviewed annually when further information becomes available.

Non compliance with Regulatory Standards may have an effect on the level of engagement with the Scottish Housing Regulator which can cause reputational damage to the Association. A rigorous internal audit program has been put in place and this has helped to ensure that our level of engagement has been categorised as low. The program will continue to ensure that Standards are met going forward.

The failure to manage gas servicing within our housing stock, in line with statutory requirements is a risk that could have a significant impact on the Association and our tenants. To date the gas servicing has been managed well through use of the Gas Maintenance Policy and Gas Maintenance Database. These tools will continue to be used to ensure that the level of service provided remains at the optimum level.

#### Key performance indicators

The Association uses key performance indicators to identify areas of improvement and to help provide further evidence of the effectiveness of the strategies and plans being implemented. The main KPI's reported for the 2016-17 financial year are detailed below.

Key performance indicator	Target	Actual performance
Average length of time to complete emergency repairs	6 hours	2.2 hours
Percentage of reactive repairs completed right first time	98%	94%
Percentage of properties that require a gas safety record which had a gas safety check and record completed by the anniversary date	100%	100%
Average time taken to re-let properties	13 days	10 days
Gross rent arrears at 31 March as a percentage of rent due for the reporting year.	3.00%	2.02%
Percentage of allocations to statutory homeless households	22%	12%

#### The Committee of Management and Executive Officers

The Committee of Management and Executive Officers of the Association are listed on page 1.

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

## TOLLCROSS HOUSING ASSOCIATION LIMITED

### Statement of Committee's responsibilities

Housing Association legislation requires the Committee of Management to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for the year ended on that date. In preparing those financial statements the Committee are required to:

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

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Committee of Management is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Internal Financial Controls

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

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

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

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



**TOLLCROSS HOUSING ASSOCIATION LIMITED****Report of the Independent Auditor to the Members of Tollcross Housing Association Limited  
For the year ended 31 March 2017**

We have audited the financial statements of Tollcross Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of Committee's responsibilities set out on pages 3 and 4, the Committee members are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 web-site 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 of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.



**TOLLCROSS HOUSING ASSOCIATION LIMITED****Report of the Independent Auditor to the Members of Tollcross Housing Association Limited  
For the year ended 31 March 2017****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 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

*Scott Moncrieff*

**Scott-Moncrieff**  
Chartered Accountants  
Statutory Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

Dated: 28 August 2017

**TOLLCROSS HOUSING ASSOCIATION LIMITED****Report of the Auditor to the Committee of Management of  
Tollcross Housing Association Limited on Corporate Governance Matters  
For the year ended 31 March 2017**

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

**Basis of Opinion**

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards 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 consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



**Scott-Moncrieff**  
Chartered Accountants  
Statutory Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

Dated: 28 August 2017

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Statement of Comprehensive Income  
For the year ended 31 March 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	4	8,444,260	8,142,836
Operating expenditure	4	(5,513,329)	(6,160,676)
<b>Operating surplus</b>	9	2,930,931	1,982,160
Gain on disposal of property, plant and equipment	10	87,413	12,857
Interest receivable and other income	11	41,182	37,237
Interest payable and similar charges	12	(1,028,299)	(1,007,008)
<b>Surplus before tax</b>		2,031,227	1,025,246
Taxation	13	-	-
<b>Surplus for the year</b>		<u>2,031,227</u>	<u>1,025,246</u>
<b>Other comprehensive income</b>			
Actuarial (loss)/gain on the defined benefit pension scheme	26	(510,000)	346,000
<b>Total comprehensive income for the year</b>		<u>1,521,227</u>	<u>1,371,246</u>

The results for the year relate wholly to continuing activities.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

## Statement of Changes in Capital and Reserves as at 31 March 2017

	Share Capital £	Revenue Reserves £	Pension Reserve £	Total Capital and Reserves £
Balance at 1 April 2016	123	24,771,957	(474,000)	24,298,080
Total comprehensive income for the year	-	2,061,227	(540,000)	1,521,227
Shares issued during the year	12	-	-	12
Shares cancelled during the year	(2)	-	-	(2)
Balance at 31 March 2017	<u>133</u>	<u>26,833,184</u>	<u>(1,014,000)</u>	<u>25,819,317</u>

## Statement of Changes in Capital and Reserves as at 31 March 2016

	Share Capital £	Revenue Reserves £	Pension Reserve £	Total Capital and Reserves £
Balance at 1 April 2015	117	23,684,711	(758,000)	22,926,828
Total comprehensive income for the year	-	1,087,246	284,000	1,371,246
Shares issued during the year	11	-	-	11
Shares cancelled during the year	(5)	-	-	(5)
Balance at 31 March 2016	<u>123</u>	<u>24,771,957</u>	<u>(474,000)</u>	<u>24,298,080</u>

The notes on pages 13 to 32 form part of these financial statements.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Statement of Financial Position  
As at 31 March 2017

	Notes	2017 £	2016 £
<b>Tangible fixed assets</b>			
Housing properties	14	55,000,130	53,010,808
Other fixed assets	16	597,590	376,297
		<u>55,597,720</u>	<u>53,387,105</u>
<b>Current assets</b>			
Debtors	17	998,656	835,382
Current asset investments	18a	2,127,372	959,943
Cash and cash equivalents	18b	12,355,344	4,818,029
		<u>15,481,372</u>	<u>6,613,354</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(2,455,583)</u>	<u>(2,926,209)</u>
<b>Net current assets</b>		<u>13,025,789</u>	<u>3,687,145</u>
<b>Total assets less current liabilities</b>		<u>68,623,509</u>	<u>57,074,250</u>
<b>Creditors: amounts falling due after more than one year</b>	20	<u>(41,790,192)</u>	<u>(32,302,170)</u>
Defined benefit pension liability	26	<u>(1,014,000)</u>	<u>(474,000)</u>
<b>Net assets</b>		<u><u>25,819,317</u></u>	<u><u>24,298,080</u></u>
<b>Capital and reserves</b>			
Share capital	23	133	123
Revenue reserve		26,833,184	24,771,957
Pension reserve	26	<u>(1,014,000)</u>	<u>(474,000)</u>
		<u>25,819,317</u>	<u>24,298,080</u>

The financial statements on pages 9 to 32 were authorised for issue by the Management Committee on 28 August 2017 and were signed on its behalf by:

Mr I Smith  Chairperson

Ms A Bell  Vice Chairman

Ms E Skimins  Secretary

The notes on pages 13 to 32 form part of these financial statements.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Statement of Cash Flows  
For the year ended 31 March 2017

	Notes	2017		2016	
		£	£	£	£
<b>Net cash generated from operating activities</b>	27		2,832,241		2,970,640
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment		(3,400,555)		(5,782,788)	
Proceeds from sale of property, plant and equipment		335,515		83,217	
Grants received		2,595,381		3,034,617	
Interest received		41,182		37,237	
			(428,477)		(2,627,717)
<b>Cash flow from financing activities</b>					
Interest paid		(972,299)		(941,008)	
New secured loans		8,000,000		1,600,000	
Repayment of borrowings		(726,733)		(428,402)	
Issue of share capital		12		11	
Deposits in current asset investments		(1,167,429)		(403,893)	
			5,133,551		(173,292)
<b>Net changes in cash and cash equivalents</b>			7,537,315		169,631
Cash and cash equivalents at 1 April			4,818,029		4,648,398
<b>Cash and cash equivalents at 31 March</b>			<u>12,355,344</u>		<u>4,818,029</u>

The notes on pages 13 to 32 form part of these financial statements.

**TOLLCROSS HOUSING ASSOCIATION LIMITED****Notes to the Financial Statements  
For the year ended 31 March 2017****1. General information**

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see Note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number. The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord (HCB 197) and a registered charity (SC040876) in Scotland. The registered address is 84 Braidfauld Street, Glasgow G32 8PJ. The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

**2. Principal accounting policies****(a) Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2017, which occurred before the date of approval of the financial statements by the Committee of Management have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2017 and of the results for the year ended on that date.

**(b) Going concern**

The Committee of Management anticipate that a surplus will be generated in the year to 31 March 2018. The Association has a healthy cash position and thus the Committee of Management is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Committee of Management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**(c) Turnover**

Turnover represents rental and service charge income receivable and fees and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners.

**(d) Supporting People**

Grants received in relation to Supporting People activities are shown in other income and the associated costs are expensed through the Statement of Comprehensive Income.

**TOLLCROSS HOUSING ASSOCIATION LIMITED**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2017**

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

**(e) Apportionment of management expenses**

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred

**(f) Interest receivable**

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest rate method.

**(g) Interest payable**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**(h) Fixed assets - Housing properties**

Housing properties are stated at cost, less accumulated depreciation. The development cost of housing properties includes:

1. Cost of acquiring land and buildings;
2. Development expenditure including administration costs;
3. Interest charged on the mortgage loans raised to finance the scheme;
4. Amounts equal to acquisition and development allowances received; and
5. Administration costs relating to private finance.

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year end.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Interest is capitalised from first draw down of private finance according to the funding arrangements agreed by the Scottish Government. This will normally occur after SHG has been claimed up to the agreed limit.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated.



## TOLLCROSS HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 2. Principal Accounting Policies (continued)

##### (i) Depreciation

##### 1. Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected useful economic life. The following major components and useful lives have been identified by the Association:

Land	- not depreciated
Structure	- Over 100 years
Roof	- Over 50 years
Radiators	- Over 30 years
Windows	- Over 25 years
Kitchen	- Over 20 years
Bathroom	- Over 20 years
Boilers	- Over 15 years

##### 2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life at the following rates:

Fixtures & Fittings	- 15% straight line
Office Property	- Over 15 years
Commercial Premises	- Over 10 years
Computer Equipment	- Over 3 years

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

##### (j) Government capital grants

Social Housing Grant (SHG), at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the assets it relates to on completion of the development phase.

The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

##### (k) Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

##### (l) Non-Government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

**TOLLCROSS HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

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

**(l) Non-Government capital and revenue grants (continued)**

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

**(m) Debtors**

Short term debtors are measured at transaction price, less any impairment.

**(n) Rental arrears**

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 17.

**(o) Current asset investments**

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

**(p) Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**(q) Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**(r) Loans**

Mortgage loans are advanced by private lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

**(s) Financial instruments**

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like rents and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Association terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**TOLLCROSS HOUSING ASSOCIATION LIMITED****Notes to the Financial Statements  
For the year ended 31 March 2017****2. Principal accounting policies (continued)****(s) Financial instruments (continued)**

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

**(t) Pensions (Note 26)****Scottish Housing Association Pension Scheme (SHAPS)**

The Association participates in the centralised Scottish Housing Association's Defined Benefit Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

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

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pensions Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

**Strathclyde Pension Fund**

In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

**(u) Financial commitments**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**(w) Sale of housing properties**

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

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 3. Judgement in applying policies and key sources of uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Committee of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of housing properties	Housing properties are held at deemed cost which is based on existing use valuations at the date of transition to FRS 102 at 1 April 2014.
Useful lives of other fixed assets	The useful lives of other fixed assets are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPS and Strathclyde pension schemes	This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.
Allocation of costs for shared ownership	Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 4. Particulars of turnover, operating expenditure and operating surplus/(deficit)

	Notes	2017			2016		
		Turnover £	Operating expenditure £	Operating surplus/ (deficit) £	Turnover £	Operating expenditure £	Operating surplus/ (deficit) £
Social Lettings	5	8,290,397	(5,261,183)	3,029,214	8,031,109	(5,938,321)	2,092,788
Other activities	6	153,863	(252,146)	(98,285)	111,727	(222,355)	(110,628)
		<u>8,444,260</u>	<u>(5,513,329)</u>	<u>2,930,931</u>	<u>8,142,836</u>	<u>(6,160,676)</u>	<u>1,982,160</u>

## TOLLGROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	Other £	2017 Total £	2016 Total £
<b>Social lettings</b>						
Rent receivable net of service charges	7,646,546	222,052	40,919	-	7,909,517	7,678,485
Service charges	227,472	-	-	-	227,472	231,262
<b>Gross income from rents and service charges</b>	<b>7,874,018</b>	<b>222,052</b>	<b>40,919</b>	<b>-</b>	<b>8,136,989</b>	<b>7,909,747</b>
Less voids	(37,637)	-	-	-	(37,637)	(47,426)
<b>Net income from rents and service charges</b>	<b>7,836,381</b>	<b>222,052</b>	<b>40,919</b>	<b>-</b>	<b>8,099,352</b>	<b>7,862,321</b>
Release of deferred Government capital grants	99,694	-	-	-	99,694	60,210
Other revenue grants	13,943	77,408	-	-	91,351	108,578
<b>Total turnover from social letting activities</b>	<b>7,950,018</b>	<b>299,460</b>	<b>40,919</b>	<b>-</b>	<b>8,290,397</b>	<b>8,031,109</b>
<b>Expenditure</b>						
Management and maintenance administration costs	2,511,429	-	-	-	2,511,429	2,324,379
Service charges	350,431	-	-	-	350,431	383,897
Planned cyclical maintenance including major repairs	596,267	-	-	-	596,267	1,113,708
Reactive maintenance costs	844,136	-	-	-	844,136	911,196
Bad debts – rents and service charges	43,268	-	-	-	43,268	68,513
Depreciation of social housing	915,652	-	-	-	915,652	1,136,628
<b>Operating expenditure for social letting activities</b>	<b>5,261,183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,261,183</b>	<b>5,938,321</b>
<b>Operating Surplus on letting activities, 2017</b>	<b>2,688,835</b>	<b>299,460</b>	<b>40,919</b>	<b>-</b>	<b>3,029,214</b>	
<b>Operating Surplus on letting activities, 2016</b>	<b>1,752,601</b>	<b>296,180</b>	<b>44,007</b>	<b>-</b>		<b>2,092,788</b>

## TOLLGROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 6. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Operating expenditure - bad debts	Other operating expenditure	Operating surplus / (deficit)
	£	£	£	£	£	£	£
				2017	2016	2017	2016
Wider role activities *	-	-	-	-	-	(96,209)	(96,478)
Care and repair of property	-	-	-	-	-	-	-
Factoring	-	-	73,235	71,111	(2,216)	(88,533)	15,686
Development and construction of property activities	-	-	-	34,331	-	(65,190)	(36,121)
Care activities	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-
Other activities	-	-	80,628	6,285	-	80,628	6,285
Total from other activities, 2017	-	-	153,863	153,863	(2,216)	(249,932)	(98,285)
Total from other activities, 2016	-	34,331	77,396	111,727	36,690	(259,045)	(110,628)

\*Undertaken to support the community, other than the provision, construction, improvement and management of housing.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 7. Directors emoluments

The directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year. The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

	2017 £	2016 £
Aggregate emoluments payable to key management personnel (including pension contributions and benefits in kind)	360,447	356,346
Emoluments payable to Chief Executive (excluding pension contributions)	74,627	75,066
Pension contributions payable in respect of the Chief Executive	9,155	9,064
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	-	-

Number of Directors during the year were as follows (excluding pension contributions):

£50,001 - £55,000	-	-
£55,001 - £60,000	-	2
£60,001 - £65,000	3	2
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-
£75,001 - £80,000	-	1

## 8. Employee information

The average monthly number of persons employed during the year was:

	2017 No	2016 No
Office staff	44	39
Wardens	-	1

Staff costs (including directors' emoluments):

	£	£
Wages and salaries	1,508,998	1,448,462
Social security costs	142,286	120,623
Pension costs (Note 26)	186,162	185,438
Defined benefit pension charge – Strathclyde Pension Fund	13,000	36,000
SHAPS re-measurements	29,274	(6,000)
	1,879,720	1,784,523

## 9. Operating surplus

Operating surplus is stated after charging:

	2017 £	2016 £
Depreciation	941,838	1,136,628
Auditor's remuneration		
- In their capacity as auditor	11,050	10,200
- In respect of other services	-	2,500



## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

<b>10. Disposal of fixed assets</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Property disposals	87,413	12,857
	<u>          </u>	<u>          </u>
<b>11. Interest receivable and other income</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest receivable on deposits	41,182	37,237
	<u>          </u>	<u>          </u>
<b>12. Interest payable and similar charges</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank interest payable	972,299	941,008
SHAPS deficit repayment plan – interest expense (Note 26)	39,000	40,000
Defined benefit pension adjustment	17,000	26,000
	<u>          </u>	<u>          </u>
	<u>1,028,299</u>	<u>1,007,008</u>

**13. Taxation**

There is no tax liability due as the Association is a registered charity.

**14. Tangible fixed assets – Housing properties**

	Housing Properties Held for Letting £	Housing Properties under construction £	Shared Ownership Properties Held for Letting £	Mortgage to Rent Properties £	Total £
<b>Cost</b>					
At 1 April 2016	49,036,161	4,887,267	540,639	384,970	54,849,037
Additions - units	-	2,598,232	19,585	-	2,617,817
- components	531,749	-	-	3,510	535,259
Disposals - units	(256,738)	-	-	-	(256,738)
- components	(92,238)	-	-	(3,230)	(95,468)
Transfers	4,518,232	(4,466,226)	(52,006)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2017	53,737,166	3,019,273	508,218	385,250	57,649,907
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>					
At 1 April 2016	1,815,840	-	12,080	10,309	1,838,229
Charge for year	867,536	-	5,675	5,833	879,044
On disposals - units	(8,636)	-	-	-	(8,636)
- components	(58,698)	-	-	(162)	(58,860)
Transfers	730	-	(730)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2017	2,616,772	-	17,025	15,980	2,649,777
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Book Value</b>					
At 31 March 2017	51,120,394	3,019,273	491,193	369,270	55,000,130
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2016	47,220,321	4,887,267	528,559	374,661	53,010,808
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 14. Tangible fixed assets – Housing properties (continued)

Additions to Housing Properties during the year includes no capitalised interest (2016 - £nil) and no capitalised administration costs (2016 - £nil). All housing properties are freehold. Properties with a cost of £256,738 (2016: £71,420) and accumulated depreciation of £8,636 (2016: £1,060) have been disposed of in the year for net proceeds (after grant recycled of £17,074) of £336,706 (2016: £83,317).

## 15. Housing stock

The number of units of accommodation in management was as follows:-

	Units in Management	
	2017	2016
General needs	2,162	2,128
Shared ownership	19	20
Supporting housing	58	58
	<u>2,239</u>	<u>2,206</u>

## 16. Tangible fixed assets – other fixed assets

	Office Premises & lock ups £	Fixtures Fittings & Equipment £	Total £
<b>Cost</b>			
At 1 April 2016	533,923	295,535	829,458
Additions during year	240,964	6,515	247,479
Disposals	-	(7,946)	(7,946)
	<u>774,887</u>	<u>294,104</u>	<u>1,068,991</u>
At 31 March 2017			
<b>Depreciation</b>			
At 1 April 2016	187,548	265,613	453,161
Charge for year	1,653	24,533	26,186
On disposals	-	(7,946)	(7,946)
	<u>189,201</u>	<u>282,200</u>	<u>471,401</u>
At 31 March 2017			
<b>Net Book Value</b>			
At 31 March 2017	<u>585,686</u>	<u>11,904</u>	<u>597,590</u>
At 31 March 2016	<u>346,375</u>	<u>29,922</u>	<u>376,297</u>

## 17. Debtors

	2017 £	2016 £
Rental debtors	177,579	228,239
Technical arrears	14,972	20,023
Provision for bad debts	(92,608)	(92,608)
	<u>99,943</u>	<u>155,654</u>
Prepayments and accrued income	73,854	74,821
Amounts due from owners	34,238	33,920
Other debtors	790,621	570,987
	<u>998,656</u>	<u>835,382</u>

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

18(a) Current asset investments	2017 £	2016 £
Current asset investments	2,127,372	959,943
	<u>2,127,372</u>	<u>959,943</u>
18(b) Cash and cash equivalents	2017 £	2016 £
Balances held in current accounts	9,260,820	589,827
Balances held in deposit accounts	3,094,524	4,228,202
	<u>12,355,344</u>	<u>4,818,029</u>
19. Creditors – Amounts falling due within one year	2017 £	2016 £
Housing loans	759,729	658,966
Trade creditors	121,108	92,142
Accruals and deferred income	269,495	1,012,937
Other creditors	271,662	340,676
Other taxes and social security costs	76,618	73,288
Rents in advance	648,342	537,014
Deferred capital grants (note 21)	144,693	60,210
SHAPS deficit repayment plan (note 26)	163,936	150,976
	<u>2,455,583</u>	<u>2,926,209</u>
20. Creditors – Amounts falling due after more than one year	2017 £	2016 £
Housing loans	31,697,626	24,525,122
Deferred capital grants (note 21)	9,419,502	7,008,298
SHAPS deficit repayment plan (note 26)	673,064	768,750
	<u>41,790,192</u>	<u>32,302,170</u>
Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.		
	2017 £	2016 £
Between one and two years	798,471	719,219
Between two and five years	2,757,591	2,381,945
In five years or more	28,141,564	21,423,958
	<u>31,697,626</u>	<u>24,525,122</u>

## TOLLGROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

21. Deferred capital grants	2017 £	2016 £
Deferred capital grants 1 April	7,068,508	4,094,101
Grants received in year	2,595,381	3,034,617
Released to income in year	(99,694)	(60,210)
	<u>9,564,195</u>	<u>7,068,508</u>
Deferred capital grants at 31 March	<u>9,564,195</u>	<u>7,068,508</u>
	<b>2017</b> £	<b>2016</b> £
<b>Split:</b>		
Due within one year	144,693	60,210
Due between one and two years	144,693	60,210
Due between three and five years	434,079	180,630
Due after five years	8,840,730	6,767,458
	<u>9,564,195</u>	<u>7,068,508</u>
	<u>9,564,195</u>	<u>7,068,508</u>
	<b>2017</b> £	<b>2016</b> £
<b>22. Financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	12,355,344	4,818,029
Current asset investments – deposit accounts	2,127,372	959,943
Financial assets measured at amortised cost	947,195	782,954
	<u>15,429,911</u>	<u>6,560,926</u>
	<u>15,429,911</u>	<u>6,560,926</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	33,956,620	27,549,569
	<u>33,956,620</u>	<u>27,549,569</u>
	<u>33,956,620</u>	<u>27,549,569</u>
	<b>2017</b> £	<b>2016</b> £
<b>23. Share capital</b>		
Shares of £1 each fully paid and issued at 1 April	123	117
Shares issued in year	12	11
Shares cancelled in year	(2)	(5)
	<u>133</u>	<u>123</u>
As at 31 March	<u>133</u>	<u>123</u>
	<u>133</u>	<u>123</u>

Financial assets measured at amortised cost comprise rent arrears, accrued income, amounts due from owners and other debtors.

Financial liabilities measured at amortised cost comprise housing loans, trade creditors, accruals, other creditors and the SHAPS deficit repayment liability.

All shares are non-withdrawable and do not carry any right to interest or dividend.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 24. Revenue commitments

At 31 March 2017, the Association had total future minimum lease commitments under non cancellable operating leases as set out below:

	2017		2016	
	Land & buildings £	Other leases £	Land & buildings £	Other leases £
Within one year	29,000	-	29,000	-
Between two and five years	-	-	8,000	-
Over five years	-	-	-	-
	<u>29,000</u>	<u>-</u>	<u>37,000</u>	<u>-</u>

## 25. Capital commitments

	2017 £	2016 £
Contracted for but not provided in these accounts	5,701,349	8,849,500
This is to be funded by:		
HAG	90,400	2,685,800
Private Finance	-	5,412,700
Reserves	5,610,949	751,000
	<u>5,701,349</u>	<u>8,849,500</u>

## 26. Pensions

## Scottish Housing Associations' Pension Scheme

Tollcross Housing Association Limited participates in the Scottish Housing Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely;

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate;
- Career average revalued earnings with a 1/80th accrual rate;
- Career average revalued earnings with a 1/120th accrual rate contracted in; and
- Defined Contribution (DC option).

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

The Association has elected to operate the Final salary with 1/60th accrual rate benefit option for active members and defined contribution or career average revalued earnings with a 1/70th accrual rate for new members from 1 April 2015.

**TOLLGROSS HOUSING ASSOCIATION LIMITED****Notes to the Financial Statements  
For the year ended 31 March 2017****26. Pensions (continued)****Scottish Housing Associations' Pension Scheme (continued)**

The Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

During the accounting period the Association paid contributions at the rate of 12.3% of pensionable salaries. Employee contributions were 12.3%.

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

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 76%.

As at the balance sheet date there were 27 (2016: 27) active members of the Scheme employed by Tollcross Housing Association Limited. The annual pensionable payroll in respect of these members was £934,937 (2016: £972,684). Tollcross Housing Association Limited continues to offer membership of the Scheme to its employees.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2016 is £6,998,575 (2015: £5,387,553).

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 26. Pensions (continued)

## Financial assumptions

The key financial assumptions underlying the valuation as at 30 September 2015 were as follows:

	% p.a.
Investment return pre-retirement	5.3
Investment return post-retirement	3.4
Rate of salary increases	4.1
Rate of price inflation	2.6

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the Career average 1/70ths benefit structure was assessed as 20.4%.

In addition the contribution rates for the final salary with 1/60th accrual from 1 April 2017 is 12.6% employer contributions and 12.5% member contributions.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

<b>Past service deficit repayment liability</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Provision at start of period	919,726	1,032,726
Unwinding of the discount factor (interest expense)	39,000	40,000
Deficit contribution paid	(151,000)	(147,000)
Re-measurements – impact of any changes in assumptions	29,274	(6,000)
	<hr/>	<hr/>
Provision at end of period	837,000	919,726
	<hr/>	<hr/>
Liability split as:		
< 1 year	163,936	149,420
1-2 years	167,083	154,510
2-5 years	505,981	483,371
> 5 years	-	132,425
	<hr/>	<hr/>
	837,000	919,726
	<hr/>	<hr/>

## Statement of Comprehensive Income Impact

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest expense	39,000	40,000
Re-measurements – impact of any change in assumptions	29,274	(6,000)

Assumptions	<b>2017</b>	<b>2016</b>
Rate of discount	1.06%	2.29%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate band yield curve to discount the same recovery plan contributions.

## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 26. Pensions (continued)

## Strathclyde pension scheme

As a result of the second stage transfer, 18 employees were transferred from Glasgow Housing Association Limited to Tollcross Housing Association Limited. Of these 18 employees, 12 are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2017	31 March 2016
Inflation / pension increase rate	2.4%	2.2%
Salary increases	4.4%	4.2%
Discount rate	2.7%	3.6%

## Mortality

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.5% p.a. underpin for males and a 1.25% p.a. underpin for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivity analysis	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in real discount rate	15%	477
0.5% increase in the salary increase rate	8%	239
0.5% increase in the pension increase rate	7%	219

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

Net pension liability as at	31 March 2017 £000	31 March 2016 £000
Estimated employer assets (A)	2,110	1,621
Present value of scheme liabilities	(3,124)	(2,095)
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	3,124	2,095
Net pension liability (A) – (B)	(1,014)	(474)



## TOLLCROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

## 26. Pensions (continued)

	31 March 2017 £000	31 March 2016 £000
<b>Reconciliation of defined benefit obligation</b>		
Opening defined benefit obligation	(474)	(758)
Current Service Cost	(92)	(118)
Interest Cost	(17)	(26)
Contributions by Members	79	82
Actuarial (Losses)/Gains	(510)	346
	<u>(1,014)</u>	<u>(474)</u>
<b>Closing defined benefit obligation</b>		
Analysis of the amount charged to operating surplus:		
	31 March 2017 £000	31 March 2016 £000
Service cost	92	118
Contributions	(79)	(82)
	<u>13</u>	<u>36</u>
Total operating charge		
	<u>17</u>	<u>26</u>
Net Interest cost		
Analysis of the amount recognised in the Statement of Other Comprehensive Income:		
	31 March 2017 £000	31 March 2016 £000
Actuarial (loss)/gain recognised as other comprehensive income	(510)	346

## 27. Net cash flow from operating activities

	2017 £	2016 £
Surplus for the year	2,031,227	1,025,246
<u>Adjustments for non cash items:</u>		
Carrying amount of tangible fixed asset disposals	248,102	70,360
Depreciation of tangible fixed assets	941,838	1,136,628
SHAPS past service deficit movements	68,274	(34,000)
Non-cash movements relating to Strathclyde pension liability	30,000	62,000
(Increase) in debtors	(163,274)	(469,431)
(Increase)/ decrease in creditors	(668,832)	498,498
Proceeds from sale of tangible fixed assets	(335,515)	(83,217)
<u>Adjustments for investing and financing activities:</u>		
Interest payable	972,299	941,008
Interest received	(41,182)	(37,237)
Release of deferred Government Capital Grant	(99,694)	(60,210)
SHAPS past service deficit contribution paid	(151,000)	(147,000)
Forfeited share capital	(2)	(5)
	<u>2,832,241</u>	<u>2,970,640</u>
Net cash inflow from operating activities		

**TOLLGROSS HOUSING ASSOCIATION LIMITED****Notes to the Financial Statements  
For the year ended 31 March 2017****28. Legislative provisions**

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

**29. Related party transactions**

The membership of the Management Committee at the Association is drawn from the local community, with some members also being tenants. Members of the Management Committee who are tenants receive no favourable treatment and such transactions are carried out at arms length.

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £37,065 (2016: £40,445). The total rent arrears relating to tenant Board members included within debtors at the year end is £181 (2016: £234). The total rent prepaid in advance relating to tenant Board members included within creditors is £1,055 (2016: £2,717).