



Scott-Moncrieff
business advisers and accountants

TOLLCROSS HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

TOLLCROSS HOUSING ASSOCIATION LIMITED

MEMBERS OF THE MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2018

Committee of Management

Mr I Smith	Chairperson
Ms A Bell	Vice Chairperson
Ms E Skimins	Secretary
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	
Ms T Findlay (appointed 18 December 2017)	

Executive Officers

Mr C Douglas	Chief Executive
Mr T Hastings	Finance Director
Mr F Donohoe	Technical Director
Mr M Byrne	Housing Director
Miss A Fitzsimons	Corporate Services Director

Registered Office

868 Tollcross Road
Glasgow
G32 8PF

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

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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

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Committee of Management presents their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2018.

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 2017-18 financial year we completed six units at our Dunira Street development, with a further forty-one units completed during quarter 1 of 2018-19. Phase 2 of the Dunira Street development is now underway and will provide a further 24 flats in the heart of Tollcross in early 2019. As well as progressing our new build development programme, we have also ensured that our existing stock is well maintained and this included replacing 90 central heating systems and almost 200 kitchens and bathrooms during 2017-18.

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 previously 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 now complete and staff moved into the office in early July 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 2018, 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 2018/19 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 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 continues to be 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 2018

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 2017-18 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	95%	95%
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	9 days	14 days
Gross rent arrears at 31 March as a percentage of rent due for the reporting year	2.59%	1.75%
Percentage of allocations to statutory homeless households	10%	8%

The Committee of Management and Executive Officers

The Committee of Management and Executive Officers of the Association are listed on the first page of the financial statements.

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

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

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 MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Internal Financial Controls (continued)

- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Committee of Management at the time the report is approved:

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

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee.

By order of the committee



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**Ms E Skimins
Secretary**

Dated: 27 August 2018

TOLLCROSS HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Tollcross Housing Association Limited (the Association) for the year ended 31 March 2018 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

TOLLCROSS HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Other information

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

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

We have nothing to report in this regard.

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 require 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.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 3, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

TOLLCROSS HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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, as a body, 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.



Scott-Moncrieff, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 27 August 2018

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 2018

In addition to our audit of the financial statements, we have reviewed your statement on pages 3 and 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 pages 3 and 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: 27 August 2018

TOLLCROSS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	4	8,549,193	8,444,260
Operating expenditure	4	<u>(5,859,650)</u>	<u>(5,513,329)</u>
Operating surplus	9	2,689,543	2,930,931
(Loss)/gain on disposal of property, plant and equipment	10	(28,034)	87,413
Interest receivable and other income	11	62,880	41,182
Interest payable and similar charges	12	<u>(1,145,478)</u>	<u>(1,028,299)</u>
Surplus before tax		1,578,911	2,031,227
Taxation	13	-	-
Surplus for the year		<u>1,578,911</u>	<u>2,031,227</u>
Other comprehensive income			
Actuarial gain/(loss) on the defined benefit pension scheme	26	<u>620,000</u>	<u>(510,000)</u>
Total comprehensive income for the year		<u>2,198,911</u>	<u>1,521,227</u>

The results for the year relate wholly to continuing activities.

The notes on pages 13 to 33 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES AS AT 31 MARCH 2018

	Share Capital £	Revenue Reserves £	Pension Reserve £	Total Capital and Reserves £
Balance at 1 April 2017	133	26,833,184	(1,014,000)	25,819,317
Total comprehensive income for the year	-	1,672,911	526,000	2,198,911
Shares issued during the year	7	-	-	7
Shares cancelled during the year	(3)	-	-	(3)
Balance at 31 March 2018	<u>137</u>	<u>28,506,095</u>	<u>(488,000)</u>	<u>28,018,232</u>

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>

The notes on pages 13 to 33 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Notes	2018 £	2017 £
Tangible fixed assets			
Housing properties	14	58,415,937	55,000,130
Other fixed assets	16	3,369,154	597,590
		<u>61,785,091</u>	<u>55,597,720</u>
Current assets			
Debtors	17	258,283	998,656
Current asset investments	18a	5,641,592	2,127,372
Cash and cash equivalents	18b	4,539,956	12,355,344
		<u>10,439,831</u>	<u>15,481,372</u>
Creditors: amounts falling due within one year	19	<u>(2,848,765)</u>	<u>(2,455,583)</u>
Net current assets		<u>7,591,066</u>	<u>13,025,789</u>
Total assets less current liabilities		<u>69,376,157</u>	<u>68,623,509</u>
Creditors: amounts falling due after more than one year	20	<u>(40,869,925)</u>	<u>(41,790,192)</u>
Defined benefit pension liability	26	<u>(488,000)</u>	<u>(1,014,000)</u>
Net assets		<u>28,018,232</u>	<u>25,819,317</u>
Capital and reserves			
Share capital	23	137	133
Revenue reserve		28,506,095	26,833,184
Pension reserve	26	(488,000)	(1,014,000)
		<u>28,018,232</u>	<u>25,819,317</u>

The financial statements on pages 9 to 33 were authorised for issue by the Management Committee on 27 August 2018 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 33 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	£	2018 £	£	2017 £
Net cash generated from operating activities	27		4,694,670		2,832,241
Cash flow from investing activities					
Purchase of property, plant and equipment		(7,457,726)		(3,400,555)	
Proceeds from sale of property, plant and equipment		140,092		335,515	
Grants received		146,156		2,595,381	
Interest received		62,880		41,182	
			(7,108,598)		(428,477)
Cash flow from financing activities					
Interest paid		(1,109,478)		(972,299)	
New secured loans		-		8,000,000	
Repayment of borrowings		(777,769)		(726,733)	
Issue of share capital		7		12	
Deposits in current asset investments		(3,514,220)		(1,167,429)	
			(5,401,460)		5,133,551
Net changes in cash and cash equivalents			(7,815,388)		7,537,315
Cash and cash equivalents at 1 April			12,355,344		4,818,029
Cash and cash equivalents at 31 March			4,539,956		12,355,344

The notes on pages 13 to 33 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended 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 2018, 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 2018 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 2019. 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 2018

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 2018

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. There is no depreciation charged on assets under construction. 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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (continued)

(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.

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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (continued)

(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.

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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Principal accounting policies (continued)

(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.

(v) 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.

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.

TOLLGROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Particulars of turnover, operating expenditure and operating surplus

	Notes	Turnover £	Operating expenditure £	2018 Operating surplus/ (deficit) £	Turnover £	Operating expenditure £	2017 Operating surplus/ (deficit) £
Social Lettings	5	8,401,647	(5,578,434)	2,823,213	8,290,397	(5,261,183)	3,029,214
Other activities	6	147,546	(281,216)	(133,670)	153,863	(252,146)	(98,283)
		<u>8,549,193</u>	<u>(5,859,650)</u>	<u>2,689,543</u>	<u>8,444,260</u>	<u>(5,513,329)</u>	<u>2,930,931</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	Other £	2018 Total £	2017 Total £
Social lettings						
Rent receivable net of service charges	7,848,071	227,381	36,159	-	8,111,611	7,909,517
Service charges	160,635	-	-	-	160,635	227,472
Gross income from rents and service charges	8,008,706	227,381	36,159	-	8,272,246	8,136,989
Less voids	(40,943)	-	-	-	(40,943)	(37,637)
Net income from rents and service charges	7,967,763	227,381	36,159	-	8,231,303	8,099,352
Release of deferred Government capital grants	105,796	-	-	-	105,796	99,694
Other revenue grants	28,237	36,311	-	-	64,548	91,351
Total turnover from social letting activities	8,101,796	263,692	36,159	-	8,401,647	8,290,397
Expenditure						
Management and maintenance administration costs	2,585,258	-	-	-	2,585,258	2,511,429
Service charges	352,569	-	-	-	352,569	350,431
Planned cyclical maintenance including major repairs	578,290	-	-	-	578,290	596,267
Reactive maintenance costs	944,874	-	-	-	944,874	844,136
Bad debts – rents and service charges	31,915	-	-	-	31,915	43,268
Depreciation of social housing	1,085,528	-	-	-	1,085,528	915,652
Operating expenditure for social letting activities	5,578,434	-	-	-	5,578,434	5,261,183
Operating Surplus on letting activities, 2018	2,523,362	263,692	36,159	-	2,823,213	
Operating Surplus on letting activities, 2017	2,688,835	299,460	40,919	-		3,029,214

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover 2018	Total Turnover 2017	Operating expenditure - bad debts	Other operating expenditure	Operating surplus / (deficit) 2018	Operating surplus / (deficit) 2017
	£	£	£	£	£	£	£	£	£
Wider role activities *	-	-	-	-	-	-	(103,226)	(103,226)	(96,209)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	78,255	78,255	73,235	-	(86,855)	(8,600)	(17,514)
Development and construction of property activities	-	-	-	-	-	-	(41,325)	(41,325)	(65,190)
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	-	49,000	20,291	69,291	80,628	-	(49,810)	19,481	80,628
Total from other activities, 2018	-	49,000	98,546	147,546	-	-	(281,216)	(133,670)	-
Total from other activities, 2017	-	-	153,863	153,863	153,863	(2,216)	(249,932)	(98,285)	(98,285)

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

TOLLGROSS HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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.

The emoluments of key management (excluding pension contributions and including benefits in kind) for the year were £326,082 (2017 - £322,916). Their employers' NI contributions for the year were £39,355 (2017 - £33,738) and their pension contributions (including the past service element) for the year were £39,007 (2017 - £37,531).

	2018 £	2017 £
Emoluments payable to Chief Executive (excluding pension contributions)	75,904	74,627
Pension contributions payable in respect of the Chief Executive	9,551	9,155
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	5,023	5,414
Number of Directors during the year were as follows (excluding pension contributions):		
£50,001 - £55,000	-	-
£55,001 - £60,000	-	-
£60,001 - £65,000	4	3
£65,001 - £70,000	-	1
£70,001 - £75,000	-	1
£75,001 - £80,000	1	-

8. Employee information

	2018 No	2017 No
The average monthly number of persons employed during the year was:		
Office staff	45	44

	2018 £	2017 £
Staff costs (including directors' emoluments):		
Wages and salaries	1,570,844	1,508,998
Social security costs	159,301	142,286
Pension costs (Note 26)	182,841	186,162
Defined benefit pension charge – Strathclyde Pension Fund	66,000	13,000
SHAPS re-measurements	(6,000)	29,274
	1,972,986	1,879,720

9. Operating surplus

	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation	1,102,229	941,838
Auditor's remuneration		
- In their capacity as auditor	15,180	10,540
- In respect of other services	510	510

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10. Disposal of fixed assets	2018	2017
	£	£
Property disposals	<u>(28,034)</u>	<u>87,413</u>
11. Interest receivable and other income	2018	2017
	£	£
Interest receivable on deposits	<u>62,880</u>	<u>41,182</u>
12. Interest payable and similar charges	2018	2017
	£	£
Bank interest payable	1,109,478	972,299
SHAPS deficit repayment plan – interest expense (Note 26)	8,000	39,000
Defined benefit pension adjustment (Note 26)	28,000	17,000
	<u>1,145,478</u>	<u>1,028,299</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 £
Cost					
At 1 April 2017	53,737,166	3,019,273	508,218	385,250	57,649,907
Additions - units	-	3,326,043	54,516	-	3,380,559
- components	1,283,281	-	-	5,621	1,288,902
Disposals - units	(178,255)	-	-	-	(178,255)
- components	(157,751)	-	-	(749)	(158,500)
Transfers	998,317	(892,380)	(105,937)	-	-
At 31 March 2018	<u>55,682,758</u>	<u>5,452,936</u>	<u>456,797</u>	<u>390,122</u>	<u>61,982,613</u>
Depreciation					
At 1 April 2017	2,616,772	-	17,025	15,980	2,649,777
Charge for year	984,220	-	5,106	6,070	995,396
On disposals - units	(10,129)	-	-	-	(10,129)
- components	(68,236)	-	-	(132)	(68,368)
Transfers	1,707	-	(1,707)	-	-
At 31 March 2018	<u>3,524,334</u>	<u>-</u>	<u>20,424</u>	<u>21,918</u>	<u>3,566,676</u>
Net Book Value					
At 31 March 2018	<u>52,158,424</u>	<u>5,452,936</u>	<u>436,373</u>	<u>368,204</u>	<u>58,415,937</u>
At 31 March 2017	<u>51,120,394</u>	<u>3,019,273</u>	<u>491,193</u>	<u>369,270</u>	<u>55,000,130</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. Tangible fixed assets – Housing properties (continued)

Additions to Housing Properties during the year includes no capitalised interest (2017 - £nil) and no capitalised administration costs (2017 - £nil). All housing properties are freehold. Properties with a cost of £178,255 (2017: £256,738) and accumulated depreciation of £10,129 (2017: £8,636) have been disposed of in the year for net proceeds (after grant recycled of £55,408) of £140,092 (2017: £336,706).

15. Housing stock

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

	Units in Management 2018	Units in Management 2017
General needs	2,161	2,162
Shared ownership	17	19
Supporting housing	58	58
	2,236	2,239

16. Tangible fixed assets – other fixed assets

	Office Premises & lock ups £	Fixtures Fittings & Equipment £	Total £
Cost			
At 1 April 2017	774,887	294,104	1,068,991
Additions during year	2,772,312	15,953	2,788,265
Disposals	-	-	-
	3,547,199	310,057	3,857,256
Depreciation			
At 1 April 2017	189,201	282,200	471,401
Charge for year	1,653	15,048	16,701
On disposals	-	-	-
	190,854	297,248	488,102
Net Book Value			
At 31 March 2018	3,356,345	12,809	3,369,154
At 31 March 2017	585,686	11,904	597,590

TOLLGROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. Debtors	2018	2017
	£	£
Rental debtors	158,857	177,579
Technical arrears	11,233	14,972
Provision for bad debts	(92,608)	(92,608)
	<u>77,482</u>	<u>99,943</u>
Prepayments and accrued income	85,858	73,854
Amounts due from owners	30,493	34,238
Other debtors	64,450	790,621
	<u>258,283</u>	<u>998,656</u>
18(a) Current asset investments	2018	2017
	£	£
Current asset investments	<u>5,641,592</u>	<u>2,127,372</u>
18(b) Cash and cash equivalents	2018	2017
	£	£
Balances held in current accounts	520,664	9,260,820
Balances held in deposit accounts	4,019,292	3,094,524
	<u>4,539,956</u>	<u>12,355,344</u>
19. Creditors – Amounts falling due within one year	2018	2017
	£	£
Housing loans	763,971	759,729
Trade creditors	338,214	121,108
Accruals and deferred income	206,413	269,495
Other creditors	465,748	271,662
Other taxes and social security costs	80,125	76,618
Rents in advance	670,049	648,342
Deferred capital grants (note 21)	155,737	144,693
SHAPS deficit repayment plan (note 26)	168,508	163,936
	<u>2,848,765</u>	<u>2,455,583</u>
20. Creditors – Amounts falling due after more than one year	2018	2017
	£	£
Housing loans	30,915,615	31,697,626
Deferred capital grants (note 21)	9,448,818	9,419,502
SHAPS deficit repayment plan (note 26)	505,492	673,064
	<u>40,869,925</u>	<u>41,790,192</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

**20. Creditors – Amounts falling due after more than one year
(continued)**

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.

	2018	2017
	£	£
Between one and two years	826,003	798,471
Between two and five years	2,705,125	2,757,591
In five years or more	27,384,487	28,141,564
	<u>30,915,615</u>	<u>31,697,626</u>
21. Deferred capital grants	2018	2017
	£	£
Deferred capital grants 1 April	9,564,195	7,068,508
Grants received in year	146,156	2,595,381
Released to income in year	(105,796)	(99,694)
	<u>9,604,555</u>	<u>9,564,195</u>
Deferred capital grants at 31 March	<u>9,604,555</u>	<u>9,564,195</u>
	2018	2017
	£	£
Split:		
Due within one year	155,737	144,693
Due between one and two years	155,737	144,693
Due between three and five years	467,211	434,079
Due after five years	8,825,870	8,840,730
	<u>9,604,555</u>	<u>9,564,195</u>
22. Financial instruments	2018	2017
	£	£
Financial assets		
Cash and cash equivalents	4,539,956	12,355,344
Current asset investments – deposit accounts	5,641,592	2,127,372
Financial assets measured at amortised cost	202,832	947,195
	<u>10,384,380</u>	<u>15,429,911</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>33,363,961</u>	<u>33,956,620</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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

23. Share capital	2018	2017
	£	£
Shares of £1 each fully paid and issued at 1 April	133	123
Shares issued in year	7	12
Shares cancelled in year	(3)	(2)
As at 31 March	<u>137</u>	<u>133</u>

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

24. Revenue commitments

At 31 March 2018, the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

	2018		2017
	Land & buildings	Other leases	Land & buildings
	£	£	£
Within one year	7,250	3,086	29,000
Between two and five years	-	4,371	-
Over five years	-	-	-
	<u>7,250</u>	<u>7,457</u>	<u>29,000</u>
	<u><u>7,250</u></u>	<u><u>7,457</u></u>	<u><u>29,000</u></u>

25. Capital commitments	2018	2017
	£	£
Contracted for but not provided in these accounts	406,862	5,701,349
This is to be funded by:		
HAG	-	90,400
Private Finance	-	-
Reserves	406,862	5,610,949
	<u>406,862</u>	<u>5,701,349</u>
	<u><u>406,862</u></u>	<u><u>5,701,349</u></u>

26. Pensions

Scottish Housing Associations' Pension Scheme

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

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded. 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.

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 12.6% of pensionable salaries. Employee contributions were 12.5%.

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 with liabilities of £814 million to give a deficit of £198 million, equivalent to a past service funding level of 76%.

TOLLCROSS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

26. Pensions (continued)

Scottish Housing Associations' Pension Scheme (continued)

As at the balance sheet date there were 28 (2017: 27) active members of the Scheme employed by Tollcross Housing Association Limited. The annual pensionable payroll in respect of these members was £980,455 (2017: £934,937). 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 2017. As of this date the estimated employer debt for the Association was £5,449,877 (2017: £6,998,575).

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 2018 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.

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

26. Pensions (continued)

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

	2018	2017
	£	£
Past service deficit repayment liability		
Provision at start of period	837,000	919,726
Unwinding of the discount factor (interest expense)	8,000	39,000
Deficit contribution paid	(165,000)	(151,000)
Re-measurements – impact of any changes in assumptions	(6,000)	29,274
Provision at end of period	674,000	837,000
Liability split as:		
< 1 year	168,508	163,936
1-2 years	170,982	167,083
2-5 years	334,510	505,981
> 5 years	-	-
	674,000	837,000

	2018	2017
	£	£
Statement of Comprehensive Income Impact		
Interest expense	8,000	39,000
Re-measurements – impact of any change in assumptions	(6,000)	29,274
Assumptions		
Rate of discount	1.51%	1.06%

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
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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 2018	31 March 2017
Inflation / pension increase rate	2.3%	2.4%
Salary increases	3.5%	4.4%
Discount rate	2.7%	2.7%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2016 model with an allowance for smoothing of recent mortality experience and long term rates of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 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	13%	358
0.5% increase in the salary increase rate	4%	106
0.5% increase in the pension increase rate	9%	243

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

	31 March 2018 £000	31 March 2017 £000
Net pension liability as at		
Estimated employer assets (A)	2,266	2,110
Present value of scheme liabilities	(2,754)	(3,124)
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	<u>(2,754)</u>	<u>(3,124)</u>
Net pension liability (A) – (B)	<u>(488)</u>	<u>(1,014)</u>

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26. Pensions (continued)

	31 March 2018 £000	31 March 2017 £000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	(1,014)	(474)
Current Service Cost	(147)	(92)
Interest Cost	(28)	(17)
Contributions by Members	81	79
Actuarial Gains/(Losses)	620	(510)
Closing defined benefit obligation	(488)	(1,014)

	31 March 2018 £000	31 March 2017 £000
Analysis of the amount charged to operating surplus:		
Service cost	147	92
Contributions	(81)	(79)
Total operating charge	66	13
Net Interest cost	28	17

	31 March 2018 £000	31 March 2017 £000
Analysis of the amount recognised in the Statement of Other Comprehensive Income:		
Actuarial gain/(loss) recognised as other comprehensive income	620	(510)

27. Net cash flow from operating activities	2018 £	2017 £
Surplus for the year	1,578,911	2,031,227
<u>Adjustments for non-cash items:</u>		
Carrying amount of tangible fixed asset disposals	168,126	248,102
Depreciation of tangible fixed assets	1,102,229	941,838
SHAPS past service deficit movements	2,000	68,274
Non-cash movements relating to Strathclyde pension liability	94,000	30,000
Decrease/(increase) in debtors	740,373	(163,274)
Increase/(decrease) in creditors	373,324	(668,832)
Proceeds from sale of tangible fixed assets	(140,092)	(335,515)
<u>Adjustments for investing and financing activities:</u>		
Interest payable	1,109,478	972,299
Interest received	(62,880)	(41,182)
Release of deferred Government Capital Grant	(105,796)	(99,694)
SHAPS past service deficit contribution paid	(165,000)	(151,000)
Forfeited share capital	(3)	(2)
Net cash inflow from operating activities	4,694,670	2,832,241

TOLLGROSS HOUSING ASSOCIATION LIMITED

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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 arm's length.

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £34,125 (2017: £37,065). The total rent arrears relating to tenant Board members included within debtors at the year end is £154 (2017: £181). The total rent prepaid in advance relating to tenant Board members included within creditors is £1,369 (2017: £1,055).