

West of Scotland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018

Registered Housing Association No. HEP201

Scottish Charity Number: SC018486

Co-operative and Community Benefit Societies Registered Number 1828R(S)

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

Report and Financial Statements for the year ended 31 March 2018

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Registration Information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registration Number 1828R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP201
Scottish Charity Number	SC018486

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Members of the Board

Ruth Simpson (Chair)
Anne Reid
Katy McLeod (resigned 30th May 2018)
Ena Hutchison
Ian McGibbon (resigned 26th September 2017)
Colin Menabney
Rab Morrow (resigned 23 March 2018)
Clare Newton
Michelle Meldrum (Parent Member resigned 17th October 2017)
Elaine Davidson (Vice chair from 24 May 2017)
Kelly Adams
Paul Macaninch (resigned 13th August 2018)
Robert Higgins
John Shearer (appointed 30 August 2017)

Executive Officers

Lynne Donnelly	Chief Executive Officer
Stewart Gibb	Director of Housing and Customer Services
Andrew Kubski	Director of Development and Asset Management (appointed 20 March 2018)
Colin MacCallum	Director of Finance and Corporate Services

Registered Office

Camlachie House
40 Barrowfield Drive
Glasgow
G40 3QH

External Auditor

Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

Internal Auditor

BDO LLP
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

Banker

Barclays Bank PLC
1st Floor
Aurora House
120 Bothwell Street
Glasgow
G2 7JT

Solicitor

Harper McLeod
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Report of the Board of Management

The Board of Management ("Board") presents its report and the audited financial statements for the year ending 31 March 2018.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefits Societies Act 2014 No 1828R(S). The Association is a registered Scottish charity, No SC018486.

Principal Activities

The principal activity of West of Scotland Housing Association is to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care.

West of Scotland Housing Association Ltd is registered with the Financial Conduct Authority as a Co-operative and Community Benefits Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Strategic Aims and Objectives

The Association introduced a new Vision, new Values and new Strategic aims which formally launched in April 2017. These reflect West of Scotland Housing Association's priorities operating as an independent organisation delivering services across several local authority areas. The Association's strategic aims are:

- Deliver outstanding service to customers in all our communities
- Actively manage our assets and develop new homes to meet local needs
- Be the best we can be for our customers
- Work with others to improve tenants' lives
- Be well governed and financially strong.

The Association will work with partner organisations and draw on its own internal resources to ensure the objectives are delivered in a way that meets the requirements of our vision.

Overview

2017/18 was an extremely exciting and challenging year for the Association. The early part of the financial year was dedicated to steering the Association through the demerger process required to separate from the Gentoo Group. Despite the numerous challenges we faced we successfully supported our tenants through a ballot process which concluded in August 2017 with a 43% turnout and a 96% 'Yes' vote to the demerger. Following this, we established our own strategic objectives, vision and values, rebranded the business, and re-launched as an independent organisation on 17 October 2017.

While the demerger is now complete the Association remains reliant on the Gentoo Group for access to customer details and services through its housing management system. The 2017/18 business plan highlighted that one of our major objectives was to procure a dedicated and integrated ICT system to support all business activity. We successfully achieved this objective and with the support of the Board set up a dedicated project team to deliver the new system by the end of the 2018/19 financial year. Significant progress has been made and we anticipate launching our new system by December 2018.

Throughout the year the Board worked closely with the Leadership Team, to measure the impact of the Governance structure implemented in December 2016 to ensure we operated effectively and complied with the Regulatory Standards for Governance and Financial Management set by the Scottish Housing Regulator. A full review of Governance policies and processes was carried out and the Board changed its approach to self-assessment. The Board now reviews and assesses its own performance against the standards at each meeting and also carries out an annual review of our

Report of the Board (cont'd)

Overview (cont'd)

performance. A recent survey and follow up discussions as a Board indicates the new structure has improved the Board's management of its Governance arrangements.

The Development & Investment sub-committee established in 2016 is now fully operational. During the course of the year, the sub-committee received approval for its Development Strategy which supports asset growth in line with our business objectives. By the end of the financial year we delivered 16 new homes for affordable rent in South Ayrshire with a further 80 homes currently on site and due for handover during 2018/19. The sub-committee also anticipates that a further 220 new homes across South Lanarkshire and Glasgow will start on site by March 2019. The Board is excited about the development opportunities outlined in its strategy and looks forward to delivering the full programme, including the first full development of 38 properties for affordable rent built to Passivhaus standards in Glasgow, which will be completed by 2021. We continue to take advantage of increased HAG levels provided by the Scottish Government and have built on our already strong relationships with our Local Authority partners.

During the course of the year we successfully completed phase two of our stock condition survey and now have access to more up to date information on 80% of our housing stock. This information will form the basis of the Association's new Asset Management Strategy which will be launched during the 2018/19 financial year.

The Tenants Advisory Group was also relaunched during 2017/18. The Group made great progress during the year and supported the Association through a review of many of its tenant service policies and strategies. Group membership increased and plans are in place to carry out its first full scrutiny exercise during 2018/19. The Board is delighted with the progress made and is confident that our tenants are supporting us to make the right decisions about the services we deliver.

During 2017/18 the Association continued to focus on improving customer service standards and performance against the indicators set out in the Annual Return on the Charter. Key highlights for the year include 93% satisfaction with the Association as a landlord which is a 4% increase on the previous year, 99% satisfaction with the opportunities to participate in our decision making, a 3% increase on the previous year, 88% satisfaction with the quality of the repairs service, a 5% increase on the previous year and 84% satisfaction with the value for money the Association provides which is an 8% increase on the previous year. The Board is delighted to see the changes it has put in place in recent years are having a positive impact on tenant opinion on the quality of our services. The Board is however conscious of an increase in the total arrears due by tenants from 4.52% to 5.18% over the course of the year and an increase in the number of days to relet our homes from 22 days in 2016/17 to 29 days in 2017/18. The Board considers the strategies that have been put in place to ensure we effectively manage arrears and void processes will have a positive impact however, they are conscious of the negative impact welfare reform continues to have on our tenants and will continue to work closely with our subsidiary Willowacre Trust to ensure our vulnerable tenants receive additional support when required.

Financial Review

In the year to 31 March 2018, total revenue increased to £18.7m from £17.9m. Of this rents and service charges contributed £14.4m (2017: £13.9m). The revenue for the year also reflects the release to income of £3.6m (2017: £3.5m) of Housing Association Grant received in prior years to assist with the acquisition and construction of housing stock.

Operating costs on housing activities rose to £15.2m (2017: £12.4m). Increases in management and administration expenses reflected the filling of staff vacancies, increased expenditure on estate management and restructure costs and was offset in part by reduced revenue maintenance expenditure.

The Association spent £6.1m (2017: £7.6m) maintaining and improving its housing stock. Of the £6.1m, £2.4m (2017: £3.1m) was spent on new components (bathrooms, boilers, kitchens and

Report of the Board (cont'd)

Financial Review (cont'd)

windows) to replace existing components which had come to the end of their useful lives.

The interest paid on the Association's loans was unchanged at £1.4m while the value of our outstanding loans rose by £1.2m to £57.1m.

The outcome for the full year was a surplus of £0.8m (2017: £2.9m) which has been taken to reserves and will be used to fund expenditure in future periods. The 2017 outcome reflected the reassessment of the Association's obligation under the SHAPS defined benefit pension past service deficit agreement which led to a one off credit of £2.6m.

The Statement of Financial Position reflects the results of the year with reserves rising to £13.3m from £12.5m.

At the year-end cash and cash equivalents had reduced to £1.1m from £5.0m reflecting in part continuing investment in our stock and a conscious decision to minimise cash balances. The 2017 year-end cash balance reflected the receipt of Housing Association Grant of £2m which was used in April 2017 to acquire land for development.

Future Prospects

In 2018 we will continue to move forward with our development programme and have now secured sufficient funding to complete the programme. In order to deliver excellent services to our customers we will continue to invest in our IT and anticipate the new systems going live by the end of quarter 3.

In addition, the Association continues to develop its links with other organisations and anticipates a positive future working in partnership with a range of partners. Our approach to partnership working is reflected in our Business Plan with detailed objectives set out in the supporting action plan. While working with our partners we will continue to seek out growth opportunities consistent with our approach to risk.

Main risks and uncertainties

The Association is conscious that Business Growth brings with it additional risks which must be controlled and effectively managed. We continue to work closely with our partners to develop and improve our approach to risk management and to ensure we mitigate risk associated with the management of an active and ambitious development programme.

The work undertaken during 2017/18 to improve service standards, implement a new Governance and Staffing structure and introduce new risk management and internal audit arrangements supported a seamless transfer from the Gentoo Group to being an independent organisation. The results over the course of the year clearly demonstrate this change has delivered good outcomes for our tenants. We will continue to focus on improving service, and ensuring we are an efficient and effective landlord that delivers value for money for our tenants.

Employee Development, Health and Safety and Equalities

The Association takes seriously its responsibility to employees; it consults on matters of importance to them and takes account of their interests when making decisions that affect them. We launched a new staff structure which was supported by a robust training programme and following a nine months bedding in period our staff survey indicated people were supportive of the new structure and in particular the benefits it provides to our tenants. The Association is fully committed to investing in the potential of its staff and will continue to offer the support required to help achieve their goals and deliver excellent customer service. Opportunities for staff training, career development and promotion are available to all employees and we are committed to ensuring equality and diversity is incorporated into our policies and procedures.

Following a review which took place during 2017/18 the Association achieved the Investors in People and Investors in Young People Standard for its approach to developing its people and achieved Gold

Report of the Board (cont'd)

Employee Development, Health and Safety and Equalities (cont'd)

and Investors in Young People Standard for its approach to developing its people and achieved Gold award status for its Healthy Working Lives initiative. The learning from the review process will be taken forward and developed during 2018/19.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities, as are those from ethnic and other minority groups. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

Customer Service

Customer Service continues to be our main focus, the new staff structure introduced in 2017/18 has been successful and there are closer connections between the work the team does and the support provided by the range of sub committees which now form the Governance Structure. Two teams deliver housing and tenancy services, including tenancy management, estates management, allocations and income maximisation; across dedicated areas. These teams are supported by a property team which delivers routine repairs and maintenance services, planned and major works and the development programme. Support is also provided by the corporate services team and community and support services are delivered by the Association's subsidiary company Willowacre Trust. The structure will remain under review over coming years to ensure sufficient resources are available to effectively manage and mitigate risk in relation to the impact of Universal Credit, deliver effective property services, including Health and Safety, and deliver our development programme.

Community and Support Services

We continue to build on our commitment to Sustainable Communities and embed the themes within the strategy namely, Tackling Poverty, Community Education, Wellbeing, Community Safety, Fuel Poverty and Waste Management in all aspects of the Association's business.

We have also continued to develop the activity within the Barrowfield Centre, our community facility in Camlachie, Glasgow, and our subsidiary charity, Willowacre Trust, which delivers our non-core landlord activities. We work in partnership with a range of stakeholders across our communities to develop plans and services for the communities we serve. We continued to deliver our older persons services, including a handyman service which is free to elderly and vulnerable tenants and our volunteering service. We also introduced Digital Inclusion Workshops for our tenants and will develop this further with the introduction of a Digital Inclusion Officer.

Committee and Officers' Insurance

The Association maintains insurance cover for its Board and officers against liabilities in relation to their duties on behalf of the Association, as authorised by the Association's rules. In addition the Association has a professional indemnity insurance policy covering community work it undertakes for other organisations.

Creditor Payment Policy

The payment policy, which the Association follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business.

Report of the Board (cont'd)

Members of the Board

Ruth Simpson, Chair - 2
Anne Reid , Vice Chair – 3
Clare Newton – 1,2
Elaine Davidson – 1,2,
Ena Hutchison - 3
Colin Menabney - 1, 3
Kelly Adams - 1
Paul Macaninch – 1, 3
Robert Higgins – 2,3
John Shearer

Sub Committees

1. Audit Committee
2. Staffing Sub Committee
3. Development and Investment Sub Committee (DISC)

On the 31st of March 2017, it was agreed by the Board that all Board members sitting on the Tenant Advisory Group would step down from this group. A recent governance review had highlighted this situation as a conflict of interest. All three remaining members resigned from the group on 22nd May 2017.

Jim Hayton has been a co-opted member of the DISC since 29 March 2017.

Alistair Campbell was co-opted onto the Audit Committee on 23 May 2018.

Each member of the Board holds one fully paid share of £1 in West of Scotland Housing Association. The executive officers of West of Scotland Housing Association hold no interest in West of Scotland Housing Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Board.

Executives

The Executive Officers of West of Scotland Housing Association at 31 March 2018 were as follows:

Lynne Donnelly	Chief Executive Officer
Stewart Gibb	Director of Housing and Customer Services
Andrew Kubski	Director of Development and Asset Management
Colin MacCallum	Director of Finance and Corporate Services


Disclosure of Information to Auditor

Each member of the Board and executive officers has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

Auditor

Alexander Sloan, accountants and business advisers, were appointed as auditors of the Association on 26 September 2017. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Alexander Sloan will therefore continue in office.

On behalf of the Board of Management

Company Secretary: 

Dated:  -

Statement of Board of Management's Responsibilities in respect of Internal Financial Control

The Board of Management ("Board") acknowledges its ultimate responsibility for ensuring that the RSL 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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the on-going documentation of key system and rules in relation 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 governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Audit Committee/Board received reports from management and from 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board of Management

[Redacted Signature]

Company Secretary

Dated: [Redacted Date]

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

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

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

Report by the auditors to the members of West of Scotland housing Association Limited on corporate Governance matters.

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 8 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs 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 to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 8 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes, issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards for systemically important RSLs 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.

[REDACTED]

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW

[REDACTED]



Alexander Sloan
Accountants and Business Advisers

Independent auditor's report to the members of West of Scotland Housing Association Limited.

Opinion

We have audited the financial statements of West of Scotland Housing Association ("the Association") for the year ended 31st March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, 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).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management 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.

Independent auditor's report to the members of West of Scotland Housing Association Limited (cont'd).

Other information

The Board of Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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

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

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:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on Page 8, the Board of Management are 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 Board of Management determines 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 Board of Management is 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 Board of Management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report to the members of West of Scotland Housing Association Limited (cont'd).

Auditor's responsibilities for the audit of the financial statements

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Conclude on the appropriateness of the Board of Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

Opinion on other matters

The accounts for the year ended 31 March 2017 were audited by another firm of auditors. Their audit report dated 24 August 2017 gave an unmodified audit report.

████████████████████
ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
████████████████████



Alexander Sloan
Accountants and Business Advisers

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**Statement of Comprehensive Income
 For the year ended 31 March 2018**

	Notes	2018 £000	2017 £000
Turnover	3	18,690	17,940
Operating Expenditure	3	<u>(16,386)</u>	<u>(13,387)</u>
Operating Surplus		2,304	4,553
Other Operating Income		-	14
Deficit on disposal of assets	6	(46)	(73)
Interest Receivable and similar income	7	4	15
Interest Payable and similar charges	8	(1,427)	(1,574)
Total comprehensive income for the year		<u><u>835</u></u>	<u><u>2,935</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 18 to 38 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**Statement of Financial Position
 For the year ended 31 March 2018**


	Notes	2018 £000	2017 £000
Fixed assets			
Intangible Assets	9	222	-
Tangible assets - housing properties	10	206,734	200,088
Tangible assets - other	11	2,372	2,794
Investment Properties	12	225	-
		<u>209,553</u>	<u>202,882</u>
Current Assets			
Stock		1	39
Receivables	14	2,295	844
Cash and Cash Equivalents		1,073	4,979
		<u>3,369</u>	<u>5,862</u>
Less: Payables due within one year	15	<u>(4,614)</u>	<u>(4,647)</u>
Net Current (Liabilities) / Assets		<u>(1,245)</u>	<u>1,215</u>
Total Assets less Current Liabilities		208,308	204,097
Payables : amounts falling due after more than one year	16	(57,475)	(56,487)
Provisions for Liabilities and Charges	17	(94)	-
Deferred Capital Grants	18	(137,382)	(135,088)
Net assets		<u><u>13,357</u></u>	<u><u>12,522</u></u>
Reserves			
Share capital	19	-	-
Reserves		<u>13,357</u>	<u>12,522</u>
		<u><u>13,357</u></u>	<u><u>12,522</u></u>

The notes on pages 18 to 38 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 13th September 2018 and signed by:

Board Member: 

Board Member: 

Company Secretary: 

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**Statement of changes in reserves
For the year ended 31 March 2018**

	Unrestricted reserve £000
<i>Current year</i>	
Balance at 1 April 2017	12,522
Surplus from statement of comprehensive income	835
Balance at 31 March 2018	<u>13,357</u>
	Unrestricted reserve £000
<i>Prior year</i>	
Balance at 1 April 2016	9,587
Surplus from statement of comprehensive income	2,935
Balance at 31 March 2017	<u>12,522</u>

The notes on pages 18 to 38 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Statement of Cash Flows
For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Net Cash Inflow from Operating Activities	20	4,166	2,868
Investing Activities			
Purchase of tangible fixed assets		(12,234)	(4,519)
Proceeds of tangible fixed assets		73	114
Purchase of intangible fixed assets		(222)	-
Grants received		4,561	2,759
Interest received		4	15
Net cashflow from investing activities		(7,818)	(1,631)
Financing activities			
Interest paid		(1,427)	(1,380)
New secured loans		4,250	-
Repayments of borrowings		(3,077)	(1,668)
Net cashflow from financing activities		(254)	(3,048)
(Decrease) in cash		(3,906)	(1,811)
Opening cash & cash equivalents		4,979	6,790
Closing cash & cash equivalents		1,073	4,979
Cash and cash equivalents at 31 March 2018		1,073	4,979

The notes on pages 18 to 38 form part of these financial statements.

Notes to the financial Statements
For the year ended 31 March 2018

1. Accounting policies

(a) Introduction and accounting basis

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

The financial statements have been prepared on the historical cost basis as modified by the valuation of certain heritable properties. The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Association. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. The use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

West of Scotland Housing Association Limited is a public benefit entity (PBE).

(b) Going concern

The Board of Management has compiled projections that indicate the Association will generate surpluses throughout the five and thirty year planning periods. The Association has a healthy cash position and has access to undrawn borrowing facilities. The Board is therefore satisfied that there are sufficient resources available to continue operating for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government.

(d) Social Housing Grant

Social Housing Grant ("SHG"), at amounts approved by The Scottish Government is paid directly to the Association during the development process.

SHG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to the net proceeds of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

SHG received as a contribution towards the capital cost of a housing development is recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structures.

(e) Intangible assets

All intangible assets shall be considered to have a finite useful life of 5 years on a straight line basis. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. Amortisation of intangible assets is shown within operating costs.

**Notes to the financial Statements
For the year ended 31 March 2018**

1. Accounting policies (cont'd)

(f) 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; and
2. Development expenditure including administration costs.

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 are included in the financial statements 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.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

All costs relating to the share of property sold are removed from the financial statements at the date of sale.

(g) Capitalisation of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

(h) Development Interest

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

(i) Investment properties

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income or expenditure.

**Notes to the financial Statements
For the year ended 31 March 2018**

1. Accounting policies (cont'd)

(j) Depreciation

(i). Social housing units

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

Land	–	not depreciated
Structure	–	over 50 years
Windows	–	over 25 years
Bathrooms	–	over 30 years
Kitchens	–	over 15 years
Central Heating	–	over 15 years

(ii). Property, plant and equipment

Depreciation is charged on a straight line basis on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Heritable Property	–	2% per annum
Commercial Property	–	4% per annum
Office Equipment	–	10% per annum,
Computer and Other Equipment	–	33.33% per annum
Motor Vehicles	–	25% per annum

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

(k) Impairment

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

(l) Investments

Investments in subsidiary undertakings are stated at cost.

(m) Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security can only be provided in respect of these loans once approval by The Scottish Government has been obtained.

**Notes to the financial Statements
For the year ended 31 March 2018**

1. Accounting policies (cont'd)

Financial Instruments (cont'd)

(n) Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade and Other Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or

**Notes to the financial Statements
For the year ended 31 March 2018**

1. Accounting policies (cont'd)

Financial Instruments (cont'd)

substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(o) Stocks

Stocks of maintenance materials have been valued at the lower of cost and net realisable value. Cost is defined as the supplier's invoice.

(p) VAT

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

(q) Provisions

In accordance with Financial Reporting Standard 102 provision is made for furniture replacements.

(r) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure Account on the basis of the cost of staff directly attributable to the operations disclosed within the financial statements.

(s) Pensions (note 27)

The Association contributes to the two Scottish Housing Association Pension Schemes (SHAPS).

Defined contribution plan

For the defined contribution scheme the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plan

A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Association will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

(t) Consolidation

The results of the Association and its subsidiary have not been consolidated as they are exempt in accordance with section 99 of the Co-operative and Community Benefit Societies Act 2014.

(u) Operating leases

Rentals under operating leases are recognised in the Statement of Comprehensive Income on an accruals basis.

(v) Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

(w) Key Judgements made in the application of Accounting Policies

a. Financial instrument break clauses

The Association has considered the break clauses attached to its financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break

**Notes to the financial Statements
For the year ended 31 March 2018**

1. Accounting policies (cont'd)

Key Judgements made in the application of Accounting Policies (cont'd)

clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

b. Financial instruments - basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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

2. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities.

The 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 principal areas where management has exercised judgement are:-

- In estimating the useful lives of housing properties and capitalised components.
- In estimating depreciation rates to be applied to housing properties, capitalised components and other fixed assets.
- In estimating the recoverable amounts of rental and other trade receivables.
- In estimating grant amortisation

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Notes to the financial Statements
 For the year ended 31 March 2018

3. Particulars of Turnover, Operating Costs and Operating Surplus

	2018		2017	
Income and Expenditure From Lettings	Turnover £000	Operating Costs £000	Operating Costs £000	Operating Surplus £000
Social Lettings	17,964	15,179	17,460	5,042
Other Activities	726	1,207	480	(489)
	(Note 4)			
	(Note 5)			
	18,690	16,386	17,940	4,553

Operating expenditure for Social Lettings and Other Activities includes an exceptional pension credit of £nil (2017: £2,645,000) (Note 27)

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Notes to the financial Statements
For the year ended 31 March 2018

4. Particulars of turnover, operating costs and operating surplus from social lettings activities

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Accommodation £000	March 2018 Total £000	March 2017 Total £000
Income from rent and service charges					
Rent receivable net of service charges	12,914	830	84	13,828	13,402
Service charges	381	214	3	598	545
Gross income from rents and service charges	13,295	1,044	87	14,426	13,947
Less voids	(67)	(14)	-	(81)	(58)
Net income from rents and service charges	13,228	1,030	87	14,345	13,889
Release of Deferred Income Grant	3,564	-	20	3,584	3,541
Other Revenue Grants	35	-	-	35	30
Total turnover from affordable letting activities	16,827	1,030	107	17,964	17,460
Expenditure					
Management and maintenance administration costs	4,611	268	59	4,938	4,286
Service costs	380	372	3	755	563
Planned cyclical maintenance including major repairs	1,539	104	-	1,643	2,453
Reactive maintenance costs	1,996	135	-	2,131	2,118
Bad Debts - rents and service charges	132	9	-	141	67
Depreciation of social housing	5,249	266	56	5,571	5,424
Impairment of social housing	-	-	-	-	53
Exceptional pension credit (Note 27)	-	-	-	-	(2,546)
Operating costs for affordable lettings activities	13,907	1,154	118	15,179	12,418
Operating surplus on affordable lettings activities	2,920	(124)	(11)	2,785	5,042
2017	4,924	92	26		

Operating expenditure for Social Lettings includes an exceptional pension credit of £nil (2017: £2,545,938).

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Notes to the financial Statements
 For the year ended 31 March 2018

5. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers		Other revenue grants		Other Income		Total Turnover		Other operating Costs		Operating deficit	
	2018 £000	2018 £000	2018 £000	2018 £000	2018 £000	2018 £000	2017 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Stage 3 adaptations	242	-	-	-	-	242	174	174	254	174	(12)	-
Factoring	-	-	-	97	97	97	100	100	121	100	(24)	-
Exceptional pension credit (Note 27)	-	-	-	-	-	-	-	-	-	(99)	-	99
Development and construction of property activities	-	-	-	-	-	-	5	5	156	116	(156)	(111)
Support activities	-	-	-	-	-	-	-	-	-	53	-	(53)
Impairment charge	-	-	-	-	-	-	-	-	140	-	(140)	-
Other activities	-	242	242	145	145	387	201	201	536	625	(149)	(424)
Total for other activities	242	242	242	242	242	726			1,207		(481)	
2017	174	152	152	154	154		480			969		(489)

Operating expenditure for other activities includes an exceptional pension credit of £nil (2017: £99,646).

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Notes to the financial Statements
For the year ended 31 March 2018

6. Loss on Sale of Housing Assets

	2018	2017
	£000	£000
Sales Proceeds	73	65
Cost of Sales	<u>119</u>	<u>138</u>
Loss on Sale of Housing Stock	<u>(46)</u>	<u>(73)</u>

7. Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable on deposits	<u>4</u>	<u>15</u>

8. Interest payable and similar charges

	2018	2017
	£000	£000
Interest on loans	1,446	1,380
Interest on pension liability	<u>6</u>	<u>194</u>
	1,452	1,574
Less: Development interest capitalised	<u>(25)</u>	<u>-</u>
	<u>1,427</u>	<u>1,574</u>

Interest capitalised was incurred at various rates of interest.

9. Intangible assets

	2018	2017
	£000	£000
Cost		
At start of year	-	-
Additions during year	<u>222</u>	<u>-</u>
At end of year	<u>222</u>	<u>-</u>

During the year £222,346 was spent on computer software which is being treated as an intangible asset and will be amortised in line with the accounting policy on intangible assets. Installation of the computer software will not be complete until after the 31 March 2018. Amortisation of the cost will commence once the installation is complete.

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**Notes to the financial Statements
For the year ended 31 March 2018**

10. Tangible Fixed Assets – Housing properties

	Housing Properties Held for Letting £000	Housing Properties In Course of Construction £000	Shared Ownership Held for Letting £000	TOTAL £000
Cost				
At start of year	261,164	982	2,817	264,963
Additions during year	2,361	10,033	-	12,394
Transfers in year	2,793	(2,717)	(76)	-
Disposals	(848)	-	(126)	(974)
At end of year	<u>265,470</u>	<u>8,298</u>	<u>2,615</u>	<u>276,383</u>
Depreciation				
At start of year	63,988	-	887	64,875
Transfers in year	24	-	(24)	-
Provided in the year	5,515	-	56	5,571
Eliminated on Disposal	(757)	-	(40)	(797)
At end of year	<u>68,770</u>	<u>-</u>	<u>879</u>	<u>69,649</u>
Net Book Value at 31 March 2018	<u>196,700</u>	<u>8,298</u>	<u>1,736</u>	<u>206,734</u>
Net Book Value at 31 March 2017	<u>197,176</u>	<u>982</u>	<u>1,930</u>	<u>200,088</u>

Additions to housing properties include capitalised development administration costs of £88,874 (2017: £nil) and capitalised interest of £24,716 (2017: £nil). The average interest capitalisation rate was 1.82%.

The total expenditure on existing properties during the year was £3,236,701 (2017: £4,322,062). Of this £2,361,515 (2017: £3,074,463) was attributable to component replacements which have been capitalised. The remaining £868,189 (2016: £1,247,599) was charged to the statement of comprehensive income as a revenue expense.

The proceeds of property disposals in the year were £72,865 (2017: £65,000). The unit cost was £126,032 (2017: £82,725) and had a net book value of £85,065 (2017: £57,152). Grant of £nil (2017: £7,218) is due to be repaid/ recycled in respect of these disposals.

Components with a cost of £848,188 (2017: £529,046), grant of £nil (2017:£nil) and accumulated depreciation of £756,195 (2017: £404,248) were disposed of during the year.

The carrying value of land included within housing properties is £18.2 million (2017: £17.7 million). All land and housing properties are freehold. Within housing properties held for letting are properties with a net book value of £92 million (2017 £111 million) that have been pledged as security to the Association's lenders in respect of outstanding loans. All land and buildings are heritable properties.

**Notes to the financial Statements
 For the year ended 31 March 2018**

11. Tangible Fixed Assets – Other

	Land £000	Community Centre £000	Offices £000	Other Equipment £000	TOTAL £000
Cost					
At start of year	152	100	2,999	698	3,949
Additions in year	-	-	-	58	58
Transfers in year	-	-	(516)	-	(516)
Disposals in year	-	-	-	(83)	(83)
At end of year	<u>152</u>	<u>100</u>	<u>2,483</u>	<u>673</u>	<u>3,408</u>
Depreciation					
At start of year	-	24	498	633	1,155
Provided in the year	-	4	50	62	116
Transfers in year	-	-	(152)	-	(152)
Disposals in year	-	-	-	(83)	(83)
At end of year	<u>-</u>	<u>28</u>	<u>396</u>	<u>612</u>	<u>1,036</u>
Net Book Value					
At 31 March 2018	<u>152</u>	<u>72</u>	<u>2,087</u>	<u>61</u>	<u>2,372</u>
Net Book Value					
At 31 March 2017	<u>152</u>	<u>76</u>	<u>2,501</u>	<u>65</u>	<u>2,794</u>

12. Investment property

	2018 £000	2017 £000
At start of year	-	-
Additions during year	365	-
Impairment	(140)	-
As at 31 March 2018	<u>225</u>	<u>-</u>

During the year the Association relocated staff from its offices at 252 Keppochhill Road. The property was subsequently let to an unconnected third party at an arm's length rent. The term of the lease is for five years. It is the Association's intention to continue to hold this property on an investment basis. The historical cost of the property is £516,572 and at the date of reclassification the net book value was £364,865. The property was valued on 14 December 2016 by an appropriately qualified valuer at a market value of £225,000; accordingly an impairment charge of £139,865 has been recognised in these accounts (Note 5).

**Notes to the financial Statements
For the year ended 31 March 2018**

13. Subsidiary Undertaking

West of Scotland Housing Association controls Willowacre Trust, a Scottish charity and company limited by guarantee. The registered office of Willowacre Trust is Camlachie House, 40 Barrowfield Drive, Glasgow, G40 3QH. The principal activities of Willowacre Trust are the provision of support and services. The aggregate amount of capital and reserves and results of Willowacre Trust for the year ended 31 March 2018 were as follows:

	2018	2017
	£000	£000
Capital and Reserves	<u>343</u>	<u>396</u>
Deficit for the Year	<u>(53)</u>	<u>(43)</u>

During the year the Association provided management services to Willowacre Trust for which a charge of £13,164 (2017:£9,500) was raised of which £nil (2017:£nil) was outstanding at the year-end. An amount of £8,535 (2017: £Nil) was due from the Trust in respect of other goods and services purchased by the Association on behalf of the Trust.

The Association leases premises to Willowacre Trust for a nominal rent of £1 (2017:£1).

14. Receivables amounts falling due within one year

	2018	2017
	£000	£000
Rental Arrears	844	662
Less: provision for bad debts	(360)	(243)
	<u>484</u>	<u>419</u>
Amounts owed by Subsidiary undertaking (due within 1 year)	9	-
Other Debtors	1,644	347
Prepayments and Accrued Income	<u>158</u>	<u>77</u>
	<u>2,295</u>	<u>844</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**Notes to the financial Statements
For the year ended 31 March 2018**

15. Payables - amounts falling due within one year

	2018	2017
	£000	£000
Bank loans (Note 16)	1,357	1,684
Trade Creditors	913	232
Contract Retentions	41	218
Other Creditors	649	621
Accruals and deferred income	1,319	1,556
Rent in advance	335	336
	<u>4,614</u>	<u>4,647</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in Other Creditors is £518,635 (2017: £503,529) in respect of pension contributions due to the Scottish Housing Associations Pension Schemes.

16. Payables – amounts falling due after more than one year

	2018	2017
	£000	£000
Bank loans	55,696	54,196
SHAPS pension deficit repayment plan	1,543	2,055
Grant Repayable / Recyclable	236	236
	<u>57,475</u>	<u>56,487</u>

The bank loans are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 0.74% to 7.82% (2017: 0.59% to 7.24%).

The bank loans are repayable as follows:

	2018	2017
	£000	£000
Between one and two years	1,437	1,719
Between two and five years	6,382	6,252
In five years or more	47,877	46,225
	<u>55,696</u>	<u>54,196</u>
Amounts included due within one year	1,357	1,684
	<u>57,053</u>	<u>55,880</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**Notes to the financial Statements
For the year ended 31 March 2018**

16. Payables – amounts falling due after more than one year (cont'd)

The payments under the SHAPS deficit repayment plan are as follows:

	2018	2017
	£000	£000
Between one and two years	534	519
Between two and five years	1,009	1,536
	<u>1,543</u>	<u>2,055</u>
Amounts included due within one year	519	504
	<u>2,062</u>	<u>2,559</u>

17. Provision for Liabilities and Charges

	2018	2017
	£000	£000
Furniture Replacement for Supported Accommodation		
At start of year	-	-
Added during year	94	-
At 31 March 2018	<u>94</u>	<u>-</u>

18. Deferred Capital Grants

	Housing Properties Held for Letting	Housing Properties In Course of Construction	Shared Ownership Properties Held for Letting	Total
	£000	£000	£000	£000
At start of year	131,027	3,760	301	135,088
Additions during year	-	5,938	-	5,938
Transfers in year	2,268	(2,248)	(20)	-
Disposals	-	-	(60)	(60)
Amortised in year	<u>(3,564)</u>	<u>-</u>	<u>(20)</u>	<u>(3,584)</u>
At end of year	<u>129,731</u>	<u>7,450</u>	<u>201</u>	<u>137,382</u>

This is expected to be released to the Statement of Comprehensive Income in the following years

	2018	2017
	£000	£000
Amounts due within one year	3,676	3,584
Amounts due in one year or more	<u>133,706</u>	<u>131,504</u>
	<u>137,382</u>	<u>135,088</u>

Notes to the financial Statements

For the year ended 31 March 2018

19. Share Capital

Shares of £1 each issued and fully paid	2018	2017
At beginning of year	202	208
Issued during the year	3	1
Shares forfeited in year	<u>(14)</u>	<u>(7)</u>
At end of year	<u><u>191</u></u>	<u><u>202</u></u>

Each member of the Association holds one share of £1 in the Association. The shares carry no rights to dividends or distributions in the event of a wind up. When a shareholder ceases to be a member, that member's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

20. Statement of Cash Flows

Reconciliation of surplus to net cash inflow from operating activities	2018	2017
	£000	£000
Surplus	835	2,935
Depreciation of tangible fixed assets	5,687	5,560
Decrease /(Increase in Stock)	38	(39)
(Increase)/Decrease in trade and other debtors	(78)	1
Increase/(Decrease) in trade and other creditors	155	(579)
Release of deferred government grant	(3,584)	(3,541)
Deficit on disposal of fixed assets	46	73
Interest payable and similar charges	1,427	1,574
Interest receivable and similar income	(4)	(15)
Impairment	140	53
Grant abatement	-	(46)
Decrease in provisions and employee benefits	(497)	(3,108)
Net cashflow from operating activities	<u><u>4,166</u></u>	<u><u>2,868</u></u>

21. Movement in Net Debt

	2017	Movements	Loans	Loans	2018
	£000	in cash flow	Drawn	Repaid	£000
		£000	£000	£000	
Cash and cash equivalents	4,979	(3,906)	-	-	1,073
Loans outstanding	(55,880)	-	(4,250)	3,077	(57,053)
	<u>(50,901)</u>	<u>(3,906)</u>	<u>(4,250)</u>	<u>3,077</u>	<u>(55,980)</u>

**Notes to the financial Statements
 For the year ended 31 March 2018**

22. Key Management Personnel

The key management personnel are defined as the members of the Board, the executive officers and any other person reporting directly to the Chief Executive or the Board. No emoluments were paid to any members of the Board during the year.

	2018	2017
	£	£
Emoluments (excluding pension contributions) of:		
Chief Executive	<u>80,961</u>	<u>78,248</u>

The number of employees whose emoluments exceeded £60,000 during the year was as follows (including pension contributions):-

£60,001 - £70,000	2	2
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£80,001 - £85,000	<u>1</u>	<u>1</u>

The total emoluments paid to key management personnel, including the chief executive, during the year were:

	2018	2017
	£	£
Emoluments (excluding pension contributions)	<u>210,983</u>	<u>201,836</u>

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 27. The Association's contribution for the Chief Executive in the year amounted to £10,038 (2017: £9,466).

23. Employee Information

	2018	2017
The average total number of persons employed during the year was	<u>77</u>	<u>77</u>

	2018	2017
The average monthly number of full time equivalent persons employed during the year was	<u>70</u>	<u>65</u>

	2018	2017
	£000	£000
Staff costs (including directors emoluments):	2,402	2,220
Social security costs	228	214
Pension Costs	<u>250</u>	<u>(2,404)</u>
	<u>2,880</u>	<u>30</u>

Pension costs include an exceptional pension credit of £nil (2017: £2,645,000)

**Notes to the Financial Statements
 For the year ended 31 March 2018**

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24. Operating Surplus

	2018	2017
	£000	£000
Operating surplus is stated after charging/(crediting):		
Depreciation	5,687	5,560
Amortised capital grants	(3,584)	(3,541)
Operating lease payments	4	6
Repairs: cyclical, major, day to day	3,221	4,659
Auditors remuneration		
- in their capacity as auditors	16	14
- in respect of other services	-	1
	<u> </u>	<u> </u>

25. Taxation

The Association is a registered charity and is exempt from corporation tax on its charitable activities. No corporation tax was due on its non-charitable activities.

26. Capital Commitments

	2018	2017
	£000	£000
Capital expenditure which has been contracted for but has not been provided for in the financial statements	8,516	7,263
Capital expenditure which has been authorised by the Board of Management but is not contracted	5,486	5,486
	<u>14,002</u>	<u>12,749</u>

The above commitments will be financed by a mixture of public grant and the Association's own resources.

**Notes to the Financial Statements
For the year ended 31 March 2018**

27. Pensions

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

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2017 to 28 February 2022: £25,735,092 per annum (payable monthly, increasing by 3% each 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	2,559	5,473
Unwinding of the discount factor (interest expense)	25	120
Deficit contribution paid	(504)	(463)
Remeasurements - impact of any change in assumptions	(18)	74
Remeasurements - amendments to the contribution schedule	-	(2,645)
Provision at end of period	2,062	2,559

**Notes to the Financial Statements
For the year ended 31 March 2018**

27. Pensions (cont'd)

INCOME STATEMENT	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	25	120
Remeasurements – impact of any change in assumptions	(18)	74
Remeasurements – amendments to the contribution schedule	-	(2,645)

ASSUMPTION	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.51	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 bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the Association and the scheme at each year end period:

Year ending	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Year 1	519	504	463
Year 2	534	519	477
Year 3	550	534	492
Year 4	519	550	506
Year 5	-	519	522
Year 6	-	-	537
Year 7	-	-	553
Year 8	-	-	570
Year 9	-	-	587
Year 10	-	-	605
Year 11	-	-	623
Year 12	-	-	321

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**Notes to the Financial Statements
For the year ended 31 March 2018**

28. Property Stock

The number of units of accommodation owned by the Association was as follows;

	Units in Management		Units under Development	
	2018	2017	2018	2017
General Needs Housing	3,214	3,192	34	18
Shared Ownership Accommodation	42	47	-	-
Supported Housing Accommodation	<u>221</u>	<u>221</u>	<u>-</u>	<u>-</u>
Total Housing Stock	<u>3,477</u>	<u>3,460</u>	<u>34</u>	<u>18</u>
<u>Other Property</u>				
Commercial	7	4	-	-
Heritable - Association's Offices	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total Other Property	<u>8</u>	<u>6</u>	<u>-</u>	<u>-</u>

29. Other Financial Commitments

	2018	2017
	£000	£000
Non-cancellable operating lease rentals are payable as follows		
Within one year	5	7
Within two to five years	<u>9</u>	<u>-</u>
	<u>14</u>	<u>7</u>

30. Related Party Transactions

The Association has one wholly owned subsidiary, Willowacre Trust, a charitable company limited by guarantee.

The terms applicable to tenant members of the Association are the same terms applicable to all tenants.

Rental income and associated services charges of £32,853 (2017: £28,757) were received from members of the Board who were also tenants of the Association. The aggregate balance outstanding at 31 March 2018 was £nil (2017: £nil).

During the year expenses of £12,309 (2017: £6,150) were reimbursed to members of the Management Committee in respect of training, travelling and subsistence costs.

