



Alexander Sloan
Accountants and Business Advisers

Cernach Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2018

Registered Housing Association No. HAC231

FCA Reference No. 2374R(S)

Scottish Charity No. SCO36607

CERNACH HOUSING ASSOCIATION LIMITED

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CERNACH HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

MANAGEMENT COMMITTEE

Susan McDonald MBE	Chairperson
Andy Biddell	Vice Chairperson
John Brannan	Secretary
Rosemary McGill	
Tracy Bowie	
Karen McGinley	
Ann Hardie	
Janette Meechan	
Frank John	
Shereen Frank	
Muriel Wylie	
Jean McFarlane	
Diane McMillan	
Michael Mellon	
Nicola Kemp	Co opted 25 October 2017

EXECUTIVE OFFICERS

Caroline Shepherd	Director
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REGISTERED OFFICE

79 Airgold Drive
Drumchapel
Glasgow
G15 7AJ

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

FINANCE AGENTS

FMD Financial Services
KCEDG Commercial Centre
Ladyloan Place
Drumchapel
Glasgow

BANKERS

Bank of Scotland
789 Dumbarton Road
Clydebank
G81 4BY

SOLICITORS

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

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2018.

Legal Status

Cernach Housing Association Limited ("the Association") is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 - No.2374R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO36607.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. The surplus for the year was £1,192,953 (2017 - £1,168,635). Net assets now stand at £9,384,526 (2017 - £8,191,554).

One of the activities for the Association in the last year was the joint development with Glasgow Housing Association going on site (in November 2017). At the current time, we are in the final stages of negotiating the Development Agreement with GHA and have committed grant finding of almost £3 million from the city council to provide 36 new homes under the terms of a partnership agreement with Glasgow Housing Association. We have also had in principle, agreement for grant finding from the City Council for a second phase, comprising 48 units, to follow on. We expect to fund the non-grant element of the first phase from reserves and are looking at whether we should do likewise for the second phase.

We decided in 2015/16 to limit rent increases to inflation only throughout the period of the 30-year plan and this continues to be the case. We also reduced our assumption on inflation and revised our long-term projections to reflect the updated stock condition survey carried out in October 2017. With all of this, the Association remains very healthy in the long term with increasing surpluses forecast almost every year and no pressure points within the plan. Worst case scenario sensitivity analysis also suggests no viability issues.

Operationally, the year commenced with the Association continuing to fine tune its approach to mitigating the impact of reforms to the welfare benefits system in the UK on levels of lost income, and are preparing for Universal Credit roll out in Glasgow in early December 2018. The Committee is pleased to note that arrears have continued to reduce in the past twelve months despite the challenges currently being faced. We also completed the scheduled bathroom replacement contract and fencing renewal works in parts of the estate. We will continue with the scheduled planned maintenance programme in the coming year.

Our community development work continued this year with another successful Gala Day – other events included a Christmas party for local children, a Christmas lunch for our older residents and a summer day trip to the coast. We submitted a successful bid for a fourth year of funding for a People and Communities Fund project on behalf of COPE as part of our wider role work and, as part of the Council's Thriving Places Initiative, we continue to be the employing organisation for a fully-funded Community Connector post.

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers 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 Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare Financial Statements for each financial year 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 that period. In preparing those Financial Statements, the Management Committee is 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015. They are 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must, in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- there is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- the Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Statement on Internal Financial Control

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 misstatement 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 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 key business risks, financial objectives and the 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 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee 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 the 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.

Donations

During the year the Association made charitable donations amounting to £600 (2017 - £630).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee

JOHN BRANNAN

Secretary

9 August 2018

CERNACH HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF CERNACH HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

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

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards contained within the publication 'Our Regulatory Framework' and associated Regulatory Advice 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 Management Committee, and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee'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 within the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
9 August 2018



Alexander Sloan
Accountants and Business Advisers

CERNACH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CERNACH HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Cernach Housing Association Limited ("the Association") for the year ended 31 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 Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 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.

CERNACH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CERNACH HOUSING ASSOCIATION LIMITED (Continued)

Other information

The Management Committee 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 Management Committee.

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 Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 3, the Management Committee 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 Management Committee 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 Management Committee 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 Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

CERNACH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CERNACH HOUSING ASSOCIATION LIMITED (Continued)

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 Management Committee.
- Conclude on the appropriateness of the Management Committee's 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
9 August 2018



Alexander Sloan
Accountants and Business Advisers

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
REVENUE	2	3,736,449	3,644,600
Operating Costs	2	(2,556,125)	(2,450,359)
OPERATING SURPLUS		1,180,324	1,194,241
Loss On Sale Of Housing Stock	7	-	(18,468)
Release of Negative Goodwill	21	55,575	61,158
Interest Receivable and Other Income		15,706	19,661
Interest Payable and Similar Charges	8	(57,508)	(62,505)
Other Finance Charges	11	(1,144)	(25,452)
		12,629	(25,606)
SURPLUS FOR THE YEAR	9	1,192,953	1,168,635

The notes on pages 13 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12 (a)		22,628,204		23,174,714
Other Non-current Assets	12 (b)		622,442		655,021
			<u>23,250,646</u>		<u>23,829,735</u>
Negative Goodwill	21		(2,334,160)		(2,389,735)
CURRENT ASSETS					
Receivables	13	136,273		171,781	
Cash at bank and in hand		4,510,231		3,584,800	
		<u>4,646,504</u>		<u>3,756,581</u>	
CREDITORS: Amounts falling due within one year	14	(750,743)		(778,569)	
NET CURRENT ASSETS			<u>3,895,761</u>		<u>2,978,012</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>24,812,247</u>		<u>24,418,012</u>
CREDITORS: Amounts falling due after more than one year	15		(3,515,089)		(3,936,296)
DEFERRED INCOME					
Social Housing Grants	17	(11,253,846)		(11,610,677)	
Other Grants	17	(658,786)		(679,485)	
			<u>(11,912,632)</u>		<u>(12,290,162)</u>
NET ASSETS			<u>9,384,526</u>		<u>8,191,554</u>
EQUITY					
Share Capital	18		136		117
Revenue Reserves			9,384,390		8,191,437
			<u>9,384,526</u>		<u>8,191,554</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 9 August 2018.

Chairperson

Vice Chairperson

Secretary

The notes on pages 13 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
Net cash inflow from operating activities	16	1,443,464		1,378,480	
Investing Activities					
Acquisition and Construction of Properties	(218,895)		(249,813)		
Purchase of Other Fixed Assets	(5,927)		(7,344)		
Social Housing Grant Received	82,714		-		
Proceeds on Disposal of Properties	-		21,726		
Net cash outflow from investing activities		(142,108)		(235,431)	
Financing Activities					
Interest Received on Cash and Cash Equivalents	15,706		19,661		
Interest Paid on Loans	(54,743)		(59,231)		
Loan Principal Repayments	(336,914)		(331,659)		
Share Capital Issued	26		23		
Net cash outflow from financing activities		(375,925)		(371,206)	
Increase in cash		925,431		771,843	
Opening Cash & Cash Equivalents		3,584,800		2,812,957	
Closing Cash & Cash Equivalents		4,510,231		3,584,800	
Cash and Cash equivalents as at 31 March					
Cash		4,510,231		3,584,800	
		4,510,231		3,584,800	

The notes on pages 13 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserves	Total
	£	£	£
Balance as at 1 April 2016	127	7,022,802	7,022,929
Issue of Shares	23	-	23
Cancellation of Shares	(33)	-	(33)
Surplus for the year	-	1,168,635	1,168,635
Balance as at 31 March 2017	117	8,191,437	8,191,554
Balance as at 1 April 2017	117	8,191,437	8,191,554
Issue of Shares	26	-	26
Cancellation of Shares	(7)	-	(7)
Surplus for the year	-	1,192,953	1,192,953
Balance as at 31 March 2018	136	9,384,390	9,384,526

The notes on pages 13 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice for Registered Social Housing Providers 2014 and the Co-operative and Community Benefits Societies Act 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods beginning on or after 1 January 2015.

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice for Registered Social Housing Providers 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria has been met.

Government Grants are released to income over the expected useful life of the asset to which they relate.

Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has joined the Scottish Housing Association Defined Contribution Scheme. Payments to this scheme are charged to the Statement of Comprehensive Income as incurred. The Association therefore participates in both the Defined Benefit and Defined Contribution categories of the Scottish Housing Association Pension Scheme.

The Association still has a liability for past service contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Structure	50 years
Electrics	30 years
Bathrooms	30 years
Internal Doors	30 years
Windows	25 years
Gutters	25 years
Central Heating	15 years
Boilers	15 years
Kitchens	15-20 years
Land	N/A

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

Non-current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Asset Category	Depreciation Rate
Office Premises	2%
Furniture and Fittings	10-25%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Taxation

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

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties and plant and equipment

The Association assesses the useful life of its properties and plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

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

Development Interest

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

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Negative Goodwill

Negative goodwill created through acquisition is written off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

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.

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Pension Liability

In March 2018 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

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.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	3,543,347	2,355,289	1,188,058	3,516,245	2,301,385	1,214,860
Other Activities	4	193,102	200,836	(7,734)	128,355	148,974	(20,619)
Total		3,736,449	2,556,125	1,180,324	3,644,600	2,450,359	1,194,241

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General			2018 Total £	2017 Total £
	Needs Housing £	Supported Housing £	Shared Ownership £		
Revenue from Lettings					
Rent receivable net of service charges	2,960,785	37,120	38,359	3,036,264	2,978,270
Service charges receivable	1,562	23,207	3,558	28,327	29,056
Gross income from rent and service charges	2,962,347	60,327	41,917	3,064,591	3,007,326
Less: Rent losses from voids	5,498	-	-	5,498	4,564
Net Rents Receivable	2,956,849	60,327	41,917	3,059,093	3,002,762
Grants released from deferred income	441,416	2,110	16,714	460,240	490,023
Other revenue grants	24,014	-	-	24,014	23,460
Total turnover from affordable letting activities	3,422,279	62,437	58,631	3,543,347	3,516,245
Expenditure on affordable letting activities					
Management and maintenance administration costs	825,153	16,804	11,676	853,633	826,361
Service Costs	1,562	23,207	3,558	28,327	29,056
Planned and cyclical maintenance, including major repairs	391,494	-	-	391,494	352,911
Reactive maintenance costs	322,783	-	-	322,783	319,026
Bad Debts - rents and service charges	(6,353)	-	-	(6,353)	1,401
Depreciation of affordable let properties	737,481	3,585	24,339	765,405	772,630
Operating costs of affordable letting activities	2,272,120	43,596	39,573	2,355,289	2,301,385
Operating surplus on affordable letting activities	1,150,159	18,841	19,058	1,188,058	1,214,860
2017	1,155,838	21,428	37,594		

Included within planned and cyclical maintenance are amounts for major repairs of £82,872 (2017 - £52,095).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£
Wider role activities	-	29,500	-	29,500	29,500	-	-
Factoring	-	-	11,266	11,266	11,266	-	-
Contracted out services undertaken for other RSLs	-	-	66,940	66,940	66,940	-	-
Development	-	-	-	-	-	-	(14,765)
Welfare Rights Service	-	-	-	-	7,734	(7,734)	(7,489)
Other activities	-	85,396	-	85,396	85,396	-	1,635
Total From Other Activities	-	114,896	78,206	193,102	200,836	(7,734)	(20,619)
2017	33,000	45,000	50,355	128,355	148,974	(20,619)	

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-

2018	2017
£	£
71,187	66,979
7,065	6,556
71,187	66,979
78,252	73,535

6. EMPLOYEE INFORMATION

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

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries
Social Security Costs
Other Pension Costs

2018	2017
No.	No.
14	13
14	13
£	£
498,485	439,657
48,928	42,937
49,720	44,449
597,133	527,043

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. LOSS ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	-	21,726
Cost of Sales	-	40,194
Loss On Sale Of Housing Stock	-	(18,468)

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	54,743	59,231
Effective Interest Rate Charge	2,765	3,274
	57,508	62,505

9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	803,911	814,114
Auditors' Remuneration - Audit Services	8,790	8,280
Loss on sale of fixed assets	-	18,468

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	1,144	25,452

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
As at 1 April 2017	32,485,436	-	1,406,860	33,892,296
Additions	99,871	119,024	-	218,895
Disposals	(44,017)	-	-	(44,017)
As at 31 March 2018	<u>32,541,290</u>	<u>119,024</u>	<u>1,406,860</u>	<u>34,067,174</u>
DEPRECIATION				
As at 1 April 2017	10,173,444	-	544,138	10,717,582
Charge for Year	741,066	-	24,339	765,405
Disposals	(44,017)	-	-	(44,017)
As at 31 March 2018	<u>10,870,493</u>	<u>-</u>	<u>568,477</u>	<u>11,438,970</u>
NET BOOK VALUE				
As at 31 March 2018	<u>21,670,797</u>	<u>119,024</u>	<u>838,383</u>	<u>22,628,204</u>
As at 31 March 2017	<u>22,311,992</u>	<u>-</u>	<u>862,722</u>	<u>23,174,714</u>

Additions to housing properties in course of construction include capitalised development administration costs of £36,310 (2017 - £nil) and housing properties held for letting includes capitalised major repair costs to existing properties of £99,871 (2017 - £249,813).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £814,148 (2017 - £921,750). The amount capitalised is £99,871 (2017 - £249,813) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £99,871 (2017 - £249,813) and improvement of £nil (2017 - £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £8,104,964 (2017 - £8,375,179).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1 April 2017	611,829	694,491	1,306,320
Additions	-	5,927	5,927
As at 31 March 2018	<u>611,829</u>	<u>700,418</u>	<u>1,312,247</u>
AGGREGATE DEPRECIATION			
As at 1 April 2017	130,641	520,658	651,299
Charge for year	11,876	26,630	38,506
As at 31 March 2018	<u>142,517</u>	<u>547,288</u>	<u>689,805</u>
NET BOOK VALUE			
As at 31 March 2018	<u>469,312</u>	<u>153,130</u>	<u>622,442</u>
As at 31 March 2017	<u>481,188</u>	<u>173,833</u>	<u>655,021</u>

13. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	100,405	105,806
Less: Provision for Doubtful Debts	(45,614)	(53,104)
	<u>54,791</u>	<u>52,702</u>
Other Receivables	81,482	119,079
	<u>136,273</u>	<u>171,781</u>

14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing Loans	349,049	343,394
Trade Payables	88,593	67,492
Rent Received in Advance	115,734	106,200
Other Taxation and Social Security	13,822	13,974
Other Payables	73,671	86,730
Liability for Past Service Contributions	82,548	80,144
Accruals and Deferred Income	27,326	80,635
	<u>750,743</u>	<u>778,569</u>

At the balance sheet date there were pension contributions outstanding of £13,525 (2017 - £13,721).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Liability for Past Service Contributions	245,452	326,856
Housing Loans	3,269,637	3,609,440
	<u>3,515,089</u>	<u>3,936,296</u>
Housing Loans		
Amounts due within one year	349,049	343,394
Amounts due in one year or more but less than two years	360,994	355,549
Amounts due in two years or more but less than five years	1,158,244	1,140,250
Amounts due in more than five years	1,750,399	2,113,641
	<u>3,618,686</u>	<u>3,952,834</u>
Less: Amount shown in Current Liabilities	349,049	343,394
	<u>3,269,637</u>	<u>3,609,440</u>
Liability for Past Service Contributions		
Amounts due within one year	82,548	80,144
Amounts due in one year or more but less than two years	83,759	81,682
Amounts due in two years or more but less than five years	161,693	245,174
	<u>328,000</u>	<u>407,000</u>
Less: Amount shown in Current Liabilities	82,548	80,144
	<u>245,452</u>	<u>326,856</u>

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

The Association has a number of long-term housing loans the terms and conditions of which fall into the following ranges:

Effective interest rate of base plus 0.45% and LIBOR plus 0.475% to 1.675% expiring between 2022 and 2044.

A total of 360 housing properties are secured to lenders in respect of these loan facilities which have been valued in the financial statements as follows:

	2018 £	2017 £
Balance of loans outstanding with the banks	3,641,382	3,978,295
Adjustment using the effective interest method	(22,696)	(25,461)
Amounts outstanding per the accounts	<u>3,618,686</u>	<u>3,952,834</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2018	2017
	£	£
Operating Surplus	1,180,324	1,194,241
Depreciation	803,912	814,114
Amortisation of Capital Grants	(460,244)	(490,018)
Change in debtors	35,508	(32,850)
Change in creditors	(114,885)	(81,522)
Unwinding of Discount on Pension Liability	(1,144)	(25,452)
Share Capital Written Off	(7)	(33)
Net cash inflow from operating activities	<u>1,443,464</u>	<u>1,378,480</u>

17. DEFERRED INCOME

	Housing Properties Held for Letting	Housing Properties In course of Construction	Shared Ownership Completed	Total
	£	£	£	£
Social Housing Grants				
As at 1 April 2017	18,836,996	-	835,641	19,672,637
Additions in the year	-	82,714	-	82,714
Eliminated on disposal of components and property	(41,671)	-	-	(41,671)
As at 31 March 2018	<u>18,795,325</u>	<u>82,714</u>	<u>835,641</u>	<u>19,713,680</u>
Amortisation				
As at 1 April 2017	7,704,331	-	357,629	8,061,960
Amortisation in year	422,831	-	16,714	439,545
Eliminated on disposal	(41,671)	-	-	(41,671)
As at 31 March 2018	<u>8,085,491</u>	<u>-</u>	<u>374,343</u>	<u>8,459,834</u>
Net Book Value				
As at 31 March 2018	<u>10,709,834</u>	<u>82,714</u>	<u>461,298</u>	<u>11,253,846</u>
As at 31 March 2017	<u>11,132,665</u>	<u>-</u>	<u>478,012</u>	<u>11,610,677</u>
Other Grants				
As at 1 April 2017	1,123,003	-	-	1,123,003
As at 31 March 2018	<u>1,123,003</u>	<u>-</u>	<u>-</u>	<u>1,123,003</u>
Amortisation				
As at 1 April 2017	443,518	-	-	443,518
Amortisation in year	20,699	-	-	20,699
As at 31 March 2018	<u>464,217</u>	<u>-</u>	<u>-</u>	<u>464,217</u>
Net Book Value				
As at 31 March 2018	<u>658,786</u>	<u>-</u>	<u>-</u>	<u>658,786</u>
As at 31 March 2017	<u>679,485</u>	<u>-</u>	<u>-</u>	<u>679,485</u>
Total grants net book value as at 31 March 2018	<u>11,368,620</u>	<u>82,714</u>	<u>461,298</u>	<u>11,912,632</u>
Total grants net book value as at 31 March 2017	<u>11,812,150</u>	<u>-</u>	<u>478,012</u>	<u>12,290,162</u>

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

	2018	2017
	£	£
Amounts due within one year	460,244	490,018
Amounts due in one year or more	11,452,388	11,800,144
	<u>11,912,632</u>	<u>12,290,162</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018 £	2017 £
As at 1 April 2017	117	127
Issued in year	26	23
Cancelled in year	(7)	(33)
At 31 March 2018	<u>136</u>	<u>117</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person'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.

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018 No.	2017 No.
General Needs - New Build	337	337
General Needs - Rehabilitation	455	455
Shared Ownership	18	18
Supported Housing	2	2
	<u>812</u>	<u>812</u>

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

The Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	2018 £	2017 £
Rent received from tenants on the Management Committee and their close family members	<u>50,469</u>	<u>46,355</u>
Factoring charges received from factored owners on the Management Committee	<u>948</u>	<u>650</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £278 (2017 - £626).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £256 (2017 - £nil).

Members of the Management Committee who are tenants	<u>11</u>	<u>10</u>
Members of the Management Committee who are owner occupiers	<u>1</u>	<u>1</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. NEGATIVE GOODWILL

	2018 £	2017 £
As at 1 April 2017	2,389,735	2,450,893
Release during the year	(55,575)	(61,158)
As at 31 March 2018	<u>2,334,160</u>	<u>2,389,735</u>

22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 79 Airgold Drive, Drumchapel , Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Drumchapel, Glasgow.

23. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £nil (2017 - £260) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

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

The Scheme is a multi-employer defined benefit scheme. The Association has joined the Defined Contribution Scheme but has a liability for the past service deficit in the defined benefit scheme. The Association therefore participates in both the Defined Benefit and Defined Contribution categories of the Scottish Housing Association Pension Scheme.

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. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last valuation of the Scheme was performed as at 30th 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 £616m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the final valuation, the scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £82,548 from 1 April 2018 (2017 - £80,144). Payments are expected to increase by 3% per annum and continue until February 2022.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £328,000 (2017 - £407,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.51% (2017 - 1.06%).

The Association made payments totalling £80,144 (2017- £77,671) to the pension scheme during the year.