



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2018

Barony Housing Association Limited

(Co-operative and Community Benefit Society No. 1684RS)
(Scottish Housing Regulator Registration No. HEP69)
(Scottish Charity No. SCO16030)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2018.

Principal Activities

The principal activities of Barony Housing Association Limited ("Barony", or "the Association") are the provision and management of affordable rented accommodation and care services. Barony Housing Association Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (formally the Industrial and Provident Societies Acts) and was founded in 1971. Barony is a Scottish Charity and a Registered Social Landlord.

Barony joined the Wheatley Housing Group Limited ("Wheatley Group", "Wheatley" or "the Group") on 1 April 2016.

OPERATING REVIEW

It has been another year of progress at Barony as we continued to invest in our communities and improve our housing and care services.

One of the tangible benefits of joining Wheatley Group in 2016 was the ability to upgrade our homes and I'm pleased to report this work has gathered momentum over the past year with a further £482,000 of improvements carried out.

Our new repairs and maintenance service, delivered for us by our sister organisation in Wheatley, Dunedin Canmore, went from strength to strength. Closer working between tradespeople and housing staff has helped create a more efficient, more responsive repairs service which has far greater focus on getting things right for the customer. I'm delighted that tenants have told us they feel positive about the improvements.

Overall customer satisfaction with Barony is an important barometer of the progress we are making on our journey to excellence. I am delighted to report that 93% of tenants who were surveyed in 2017/18 said they were satisfied overall with Barony as a landlord. This is our highest ever result and is testament to the hard work and dedication of our staff at Barony.

In care, we were successful in securing high-ranking places on framework tenders in both West Lothian and Falkirk. This not only protects our current services, but creates an excellent opportunity for growth, especially in Falkirk where we are working in partnership with our sister organisation Loretto Care.

On behalf of the Board I would like to thank all our staff for the commitment, care and professionalism they showed throughout 2017/18 in delivering excellent services to the people we work for.

You can read more of Barony's highlights for the financial year [here](#).

OPERATING REVIEW (continued)

Our year of success

We maintained high levels in all our satisfaction results with many areas of performance improving.

Overall tenant satisfaction with Barony, at 93%, was the highest ever and up from 91% the previous year. Other performance highlights included:

- 100% of complaints were responded to within timescale for the second year running;
- tenants satisfied with the management of their neighbourhood increased to 92% from 88% the previous year;
- tenants satisfied with the quality of their existing home improved from 85% to 92%;
- antisocial behaviour cases resolved within timescale improved from 94% to 100%;
- tenancy sustainment, the number of tenants who stay in their home for at least a year after moving in, improved to 100% from 89%.

In care, we supported 992 people over the year and successfully tendered for a number of contracts with local authorities. In Falkirk we partnered with our sister organisation Loretto Care and together we were ranked in the top five on the framework for Self-Directed Support Services. We also secured a place on the framework for Housing Support, Mental Health and Substance Misuse Flexible Support services in West Lothian Council. These successful tenders protect our existing services and create the opportunity for us to grow.

Four of our services were inspected by the Care Inspectorate during the year with three – Logie Road Care Home, Barony Housing Support Services Fife and Barony Housing Support Service in West Lothian – receiving very good (5) grades for all themes inspected. Edinburgh Housing Support Service received one very good grade and one good grade (4).

Barony also secured Investors in People (“IiP”) Gold with assessors describing staff as having “a clear line of sight in what they did and how that made a difference”.

Our repairs service

More tenants were happy with the repairs and maintenance service in 2017/18. In total, 96% of tenants reported being satisfied with the service, up from 87% in 2016/17.

Timescales for emergency and non-emergency repairs continued to improve with emergency timescales reducing to 2.3 hours compared with 2.6 hours the previous year.

The improvements came after we rolled out our new repairs and maintenance service delivered by our sister organisation in Wheatley Group, Dunedin Canmore. Improvements to the service include:

- tradespeople becoming more multi-skilled so they can complete straightforward repairs during one visit;
- closer working between repairs and housing staff;
- greater focus on the customer with tradespeople taking more control of each step of even the most complex job.

Improving our homes

Our £1.5m programme to improve our homes over five years saw us invest a further £482,000 across our communities.

This included installing 64 new central heating systems, moving people from electricity to gas. We also replaced 19 boilers, put in new double glazing in 24 homes and carried out a range of common close improvements.

OPERATING REVIEW (continued)

Investing in neighbourhoods

Our environmental team continued to make a difference to our neighbourhoods by being out and about each day, cleaning, tidying, weeding, cutting grass, clearing litter and removing graffiti.

Our Community Improvement Partnership ("CIP") sees police and fire officers seconded to Wheatley Group to work closely with housing staff to keep local communities safe. It was further strengthened with a number of new roles including five new behaviour change officers to support young people in trouble to turn their lives around and two new fire safety officers.

Fire safety remained a top priority for us and we introduced a "Stay Safe" campaign to encourage all tenants to get a home fire safety visit.

We were delighted 92% of tenants reported they were satisfied with their neighbourhoods, up from 88%.

Rents and value for money

We want tenants to feel they are getting good value. We were pleased that 85% of tenants felt their rent represented good value for money, an improvement on 80.5% last year. Our gross rent arrears improved from 3.88% to 3.02% this year.

Engaging with customers

We continued to engage with customers across a range of channels, listening to their feedback and using it to improve services. Tenants who felt Barony was good at keeping them informed about services and decisions remained high at 93% and 90% of tenants were satisfied with opportunities to participate in Barony's decision making, an improvement on 84% in 2016-17.

We consulted customers formally on a new allocations policy – due to be introduced as part of "MyHousing", our new housing advice, information and letting service later in 2018 – with their feedback influencing the final service. We also consulted tenants on three options for rent charges for 2018/19.

We held a range of community events across all our areas and continued to involve tenants in local decisions through our scrutiny panel and forums.

We also reached out to more tenants through online channels, growing our Twitter following and engaging around 1200 visitors a month on our new website. We simplified the sign-up process for our online self-service where people can pay rent, check their account, book a repair or request a service when and where they want.

Help for tenants

We aim to support our tenants and their families to get the most out of their lives through a range of services and projects, many of which are funded through the Wheatley Foundation, our charitable trust. This included help with money, budgeting and benefits, access to bursaries to go to university and arts and sports projects. Jobs, training and apprenticeship opportunities are also available for our customers through Wheatley Group.

Over 2017/18 Barony customers benefited from a number of these opportunities; this included 13 tenants who were supported to manage their household finances and settle into their home and community through the "My Great Start" service. Two people received upcycled furniture through Home Comforts to help make their house more comfortable and we had one Barony tenant who secured a bursary to help them go to higher education.

OPERATING REVIEW (continued)

Housing First

Barony played a major role in 2017/18 in a new partnership between our parent company Wheatley Group and Social Bite to tackle rough sleeping in Scotland.

The "Housing First" programme aims to support people sleeping rough to move into a home and then to successfully sustain their new tenancy by giving them comprehensive and personalised support to deal with their issues.

Wheatley Group has pledged more than 200 homes over two years, with Barony providing care and support to the people given one of Wheatley's homes in Edinburgh. This includes support with addictions and mental health as well as practical support with money and budgeting.

Working closely with our Group Housing colleagues Dunedin Canmore, Barony became the first to successfully resettle an individual as part of this national initiative in Edinburgh.

Contact Point

Scottish singing star Barbara Dickson helped Barony celebrate the 25th anniversary of our pioneering mental health support service, Contact Point.

Contact Point has drop-in centres in Buckhaven, Kirkcaldy and Edinburgh which provide a range of social, emotional and practical support to vulnerable people with mental health issues.

A refurbishment project began at Kirkcaldy Contact Point which will improve the environment for those using the service and staff.

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2018 totalled £6.9m (2017: £6.9m). The main source of income for the Association includes the provision of care services of £4.5m (2017: £4.6m). The remainder of the Association's income is primarily derived from the social rental of housing property, with net rental income of £2.5m (2017: £2.4m).

Expenditure

Operating costs of the Association in the year totalled £7.1m (2017: £6.6m), largely comprising of the following:

- Care activity costs of £4.9m (2017: £4.6m), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £0.9m (2017: £0.8m).
- Service costs of £0.3m (2017: £0.4m).
- £0.3m of reactive maintenance costs to our social letting properties (2017: £0.2m).
- £0.2m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2017: £0.1m).
- Depreciation expenditure for social and non-social housing assets of £0.5m (2017: £0.5m).

The Association reported an operating deficit of £0.1m or -2% (2017: surplus £0.3m or 5%).

Other expenditure in the year includes £0.2m of interest due on loan funding (2017: £0.2m).

Total comprehensive expenditure for the year of £1.1m (2017: income of £3.9m) includes an increase in valuation of social housing properties of £0.4m (2017: increase of £0.4m) and a loss of £1.3m (2017: gain of £3.3m) in respect of the Lothian Pension Fund.

FINANCIAL REVIEW (continued)

Cashflows

The cash flow statement of the Association is shown on page 16. Barony generated £0.5m from operating activities (2017: £0.8m). Savings realised through integration with Wheatley Housing Group systems continue to enabled Barony to award a pay increase to the lowest paid Care staff, meeting Real Living Wage rates from October 2016 onwards. Cash and cash equivalents in the year decreased by £0.5m (2017: decreased by £1.5m).

Rental debtors

At the statement of financial position date, the Association has rent arrears of £0.1m offset by bad debt provisions of £28k (2017: £0.1m and £24k respectively).

Liquidity

The Associations net current liabilities at 31 March 2018 totalled £0.1m, a decrease of £0.5m in the year. This is due to a £0.4m repayment of intra-group loans during the year, and continued investment in existing properties. The Association has access to funding through a Group facility which ensures the Group does not default on liabilities as they fall due.

Capital structure and treasury

The Group's activities are funded on the basis of a Business Plan which is updated annually. Barony Housing Association's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited (WFL1), as detailed in note 17. The Association has access to an intra-group facility of £2.4m. Interest rate risk is managed at a group level by WFL1.

Investment in tenants' homes

During the year we invested £0.5m in improving tenant's homes. At the year-end our housing stock was valued at £14.0m (2017: £13.6m)

Reserves Policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserve include any historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

FINANCIAL REVIEW (continued)

The revenue reserve may include revaluation gains on investment properties which are owned by the Association. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in any mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

The residual amount of revenue reserves, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

Principal risks facing the Association

The Board is responsible for assessing the risks facing The Barony Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board


Martin Kelso, Chair
29 August 2018

8 New Mart Road
Edinburgh
EH14 1RL

BARONY HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Because of the complexity and range of its business activities in providing both housing and community care services Barony, at all times, seeks to recruit and retain Board of Management membership drawn from the various areas of expertise in care, housing, finance, legal administration and from a tenant perspective necessary for the responsible oversight of its activities.

Board of Management members are elected for a three year period with one third of the membership standing down annually. Recruitment is by public advertisement with selection made with a view to maintaining the knowledge level available to the association in its Board of Management.

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

The Board of Management meets at least six times a year to receive reports on all of the Association's activities. At 31 March 2018 there were 7 members (2017: 8 members) of the Barony Housing Association Board:

The members of the Board during the year and up to the date of signing the financial statements are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Group Directorships
Martin Kelso (Chair)	27 September 2012	24 September 2015	-	Wheatley Housing Group Limited Wheatley Solutions
Donald Martin	18 September 2008	21 September 2016	14 September 2017	-
Amanda Miller	22 September 2010	24 September 2013	30 November 2017	-
Lindsey McNeill	27 September 2012	25 September 2014	-	-
George Hotchkiss	27 September 2012	25 September 2014	-	-
Sheila McKenzie	24 September 2015	-	14 September 2017	-
Helen Howden	24 September 2015	-	-	-
Ruth Kynoch	27 October 2016	-	-	Dunedin Canmore
Alastair Murray	14 September 2017	-	-	-
Lesley Watt	14 September 2017	-	-	-
Simon Higgins	12 April 2018	-	-	-
Jennifer Wallace	31 May 2018	-	-	-

Political and charitable donations

No political or charitable donations were made by Barony in the year.

Creditor payment policy

Barony agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

BARONY HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS (continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

The 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 Standard 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
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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 Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Martin Kelso, Chair
29 August 2018

8 New Mart Road
Edinburgh
EH14 1RL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BARONY HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Barony Housing Association ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2018 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report, the Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 9 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BARONY HOUSING ASSOCIATION LIMITED (Continued)

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 10, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street
Glasgow G2 5AS

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

7 September 2018

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2018**

		2018	2017
	<i>Notes</i>	£'000	£'000
Turnover	3	6,931	6,935
Operating expenditure	3	(7,052)	(6,621)
Operating (deficit)/surplus		(121)	314
Finance income	9	61	4
Finance charges	10	(152)	(187)
Reversal of previous decrease in valuation of housing properties	13	406	403
Surplus for the financial year		194	534
Actuarial (loss)/gain in respect of pension schemes	19	(1,286)	3,332
Total comprehensive (expenditure)/ income for the year		(1,092)	3,866

All amounts relate to continuing operations.

The notes on pages 17 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018

	Revenue Reserves £'000
Balance at 1 April 2017	10,104
Surplus for the year	534
Actuarial gain in respect of pension schemes	3,332
Balance at 31 March 2017	<u>13,970</u>
Surplus for the year	194
Actuarial loss in respect of pension schemes	<u>(1,286)</u>
Balance at 31 March 2018	<u>12,878</u>

All amounts relate to continuing operations.

The notes on pages 17 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Fixed assets			
Social housing properties	13	13,970	13,569
Other tangible fixed assets	13	531	573
		<u>14,501</u>	<u>14,142</u>
Pension asset	19	865	2,227
Current assets			
Trade and other debtors	14	489	535
Cash and cash equivalents		779	1,273
		<u>1,268</u>	<u>1,808</u>
Creditors: amounts falling due within one year	16	(1,360)	(1,424)
Net current (liabilities)/assets		<u>(92)</u>	<u>384</u>
Total assets less current liabilities		15,274	16,753
Creditors: amounts falling due after more than one year	17	(2,396)	(2,783)
Total net assets		<u><u>12,878</u></u>	<u><u>13,970</u></u>
Reserves			
Share capital	18	-	-
Revenue reserve		12,878	13,970
Total reserves		<u><u>12,878</u></u>	<u><u>13,970</u></u>

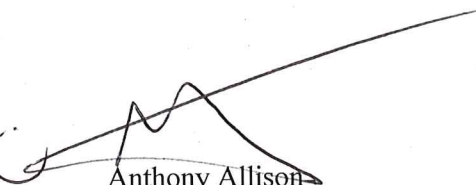
These financial statements were approved by the Board on 9 August 2018 and were signed on its behalf on 29 August 2018 by:



Martin Kelso
Chair



Helen Howden
Board Member



Anthony Allison
Secretary

The notes on pages 17 to 33 form part of these financial statements.

Charity registration number SC016030.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Net cash generated from operating activities	21	<u>529</u>	<u>808</u>
Cash flow from investing activities			
Improvement of properties – housing stock	13	(482)	(342)
Purchase of other fixed assets	13	(3)	(12)
Finance income	9	<u>1</u>	<u>4</u>
		(484)	(352)
Cash flow from financing activities			
Finance charges	10	(152)	(151)
Financing draw down		-	2700
Repayments of borrowings		<u>(387)</u>	<u>(4,520)</u>
		(539)	(1971)
Net change in cash and cash equivalents		<u>(494)</u>	<u>(1,515)</u>
Cash and cash equivalents at beginning of the year		1,273	2,788
Cash and cash equivalents at end of the year		779	1,273
Cash and cash equivalents at 31 March			
Cash		779	1,273
Bank overdraft		<u>-</u>	<u>-</u>
		<u>779</u>	<u>1,273</u>

The notes on pages 17 to 33 form part of these financial statements

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

1. Legal status

Barony Housing Association ("Barony" or "the Association") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1684RS and is a registered Scottish charity No. SC016030. Barony is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activities of the Association are the provision of social housing with the associated services for general needs and supported accommodation, and community care services.

The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Barony Housing Association Limited is a public benefit entity.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included within the Determination of Accounting Requirements 2014, and under the historic cost accounting rules, modified to include the revaluation of properties held for letting. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102 (FRS 102). The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Association and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock and provision of care services. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Association to borrow sufficient funds to meet its current liabilities as they fall due.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds;

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

2. Accounting policies (continued)

- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

Related party disclosures

The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, contractual income receivable from Local Authorities and Health Boards, fees receivable, revenue grants and other income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

Financial Instruments

Loans provided by Wheatley Funding Number 1 Limited ("WFL1") are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

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

2. Accounting policies (continued)

Pensions

The Association participates in both a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF"), and a Social Housing Pension Scheme ("SHPS") defined contribution scheme administered by the Pensions Trust.

The LPF is administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. The LPF provides benefits based on final pensionable pay. Assets and liabilities of LPF are held separately from those of the Association.

The Association accounts for its participation in LPF in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The LPF liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the LPF surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of comprehensive income under actuarial gain or loss on pension schemes.

Fixed assets – housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

• Valuation of Social Housing Stock

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

• Depreciation and Impairment

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Economic Life
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs

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

2. Accounting policies (continued)

	Economic Life
Internal works & common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical & Plumbing	25 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

• New Build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

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

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG is recognised as income in the statement of comprehensive income when new build properties are completed or the capital work carried out under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

Other tangible fixed assets

For other tangible fixed assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

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

2. Accounting policies (continued)

	Economic Life
Office equipment (cost)	5 yrs
Computer equipment (cost)	3 – 7 yrs
Office Improvements (cost)	10 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at least every 5 years.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions

The Association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

Taxation

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT.

3. Particulars of turnover, operating costs and operating surplus/(deficit)

			2018	2017
	Turnover	Operating Costs	Operating surplus/ (deficit)	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	2,474	(2,182)	292	371
Other activities (note 5)	4,457	(4,870)	(413)	(57)
Total	6,931	(7,052)	(121)	314
Total for previous reporting period	6,935	(6,621)	314	

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

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

	General Needs £'000	Supported Housing £'000	Other – Registered Care Homes £'000	2018 Total £'000	2017 Total £'000
Rent receivable net of service charges	1,218	614	54	1,886	1,818
Service charges	7	563	20	590	563
Gross income from rents and service charges	1,225	1,177	74	2,476	2,381
Less rent loss from voids	(2)	(8)	(5)	(15)	(24)
Net income from rents and service charges	1,223	1,169	69	2,461	2,357
Grants released from deferred income	-	-	-	-	-
Other revenue grants	13	-	-	13	-
Total turnover from affordable letting activities	1,236	1,169	69	2,474	2,357
Management and maintenance administration costs	588	309	9	908	782
Service costs	23	271	12	306	448
Planned and cyclical maintenance including major repairs costs	110	43	6	159	121
Reactive maintenance costs	228	68	7	303	164
Bad debts – rents and service charges	19	-	-	19	10
Depreciation of affordable let properties	355	122	10	487	461
Operating costs for affordable letting activities	1,323	815	44	2,182	1,986
Operating surplus for affordable letting activities	(87)	354	25	292	371
Operating activities for affordable letting activities for the previous reporting period	68	264	39	371	

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

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

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2018 Operating Surplus / (Deficit) £'000	2017 Operating Surplus / (Deficit) £'000
Registered Care	-	-	215	215	(242)	(27)	(24)
Housing Support	2,309	1,480	9	3,798	(3,805)	(7)	17
Day Care	431	-	13	444	(445)	(1)	(1)
Organisation Restructuring	-	-	-	-	(333)	(333)	(49)
Depreciation – non social housing	-	-	-	-	(45)	(45)	-
Total from other activities	2,740	1,480	237	4,457	(4,870)	(413)	(57)
Total from other activities for the previous reporting year	3,301	936	341	4,578	(4,635)	(57)	

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

6. Board members' emoluments

Board members received £nil (2017: £930) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

7. Key management emoluments

	2018 £'000	2017 £'000
Aggregate emoluments payable to key management (including employers pension contributions and benefits in kind)	106	94
Emoluments payable to highest paid key management	49	80
Employer pension contributions	2	14
Total emoluments payable to the highest paid key management	52	94

During the period the key management's emoluments (excluding pension contributions) fell within the following band distributions:

More than £70,000 but not more than £80,000	-	1
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The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There was one senior officer in post at 31 March 2018. Key management personnel in the year were as follows:

Rebecca Wilson	Director
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8. Employees

	2018 No.	2017 No.
The average monthly number of full time equivalent persons employed during the year was	221	225
The average total number of employees employed during the year was	155	155
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,631	3,719
Social security costs	292	282
Employer's pension costs	296	319
FRS102 pension adjustment	136	47
	4,355	4,367

In addition to the above staff costs the Association incurred agency staff costs of £245k during the year (2017: £202k).

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

9. Finance income

	2018 £'000	2017 £'000
Bank interest receivable on deposits in the year	1	4
Interest on pension scheme asset (note 19)	60	-
	<u>61</u>	<u>4</u>

10. Finance charges

	2018 £'000	2017 £'000
Interest on intra group loans	152	151
Net interest charges on pension liability (note 19)	-	36
	<u>152</u>	<u>187</u>

11. Auditors' remuneration

	2018 £'000	2017 £'000
The remuneration of the auditors is as follows:		
Audit services	8	8

12. Financial commitments

There were no capital commitments at 31 March 2018 (2017: £nil).

Operating leases

At 31 March 2018 the Association had annual commitments under non-cancellable operating leases as follows:

	2018 Land and Buildings £'000	2018 Other £'000	2017 Land and Buildings £'000	2017 Other £'000
Operating leases that expire:				
Within one year	155	7	176	8
In the second to fifth years inclusive	194	14	363	24
Over five years	-	-	-	-
	<u>349</u>	<u>21</u>	<u>539</u>	<u>32</u>

Lease commitments under FRS 102 include the timing of the full payment due under contract.

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

13. Tangible fixed assets

Social housing properties

	2018
	Social Housing
	Properties
	£'000
Valuation	
At 1 April 2017	13,569
Additions	482
Revaluation	(81)
At 31 March 2018	<u>13,970</u>
Accumulated Depreciation	
At 1 April 2017	-
Charge for year	(487)
Revaluation	487
At 31 March 2018	<u>-</u>
Net Book Value – Valuation	
At 31 March 2018	<u>13,970</u>
At 31 March 2017	<u>13,569</u>
Net Book Value – Cost	
At 31 March 2018	<u>19,064</u>
At 31 March 2017	<u>19,069</u>

Total expenditure on repairs and capital improvements in the year on existing properties was £894k (2017: £636k). Of this, repair costs of £412k (2017: £285k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £482k (2017: £351k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £482k (2017: £351k) in the year include:

- £406k in relation to the replacement of components (2017: £319k); and
- £76k on the improvement of components (2017: £32k).

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the royal Institution of Chartered Surveyors (“RICS”) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2018 on an Existing Use Valuation for Social Housing (“EUV-SH”). Discount rates between 5.75-6.50% have been used depending on the property archetype (2017: 5.75-6.50%). The valuation assumes a rental income increase of inflation + 0.5% for the next 3 years, in line with the Association’s 30 year Business Plan (2017/18). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

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

13. Tangible fixed assets (continued)

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March 2018 is shown below:

	2018	2017
Social Housing		
General needs	258	258
Supported housing	95	95
Registered	8	8
Leased	17	17
Total Units	378	378

Leased units above are properties owned by Barony Housing Association which are leased to and managed by third parties. 17 non-Barony owned properties are included within Supported Housing (2017: 17).

The housing valuation has been based on the number of houses held for social letting.

Other tangible fixed assets

	Leasehold Improvements £'000	Land & Buildings £'000	Office Equipment £'000	Total £'000
Cost				
At 1 April 2017	178	637	316	1,131
Additions	-	-	3	3
At 31 March 2018	178	637	319	1,134
Accumulated Depreciation				
At 1 April 2017	107	176	275	558
Charge for year	14	12	19	45
At 31 March 2018	121	188	294	603
Net Book Value				
At 31 March 2018	57	449	25	531
At 31 March 2017	71	461	41	573

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

14. Debtors

	2018 £'000	2017 £'000
Arrears of rent & service charges	112	78
Adjustment to discount arrears balances with payment plans to NPV	-	(1)
Less: Provision for bad and doubtful debts	(28)	(24)
	<u>84</u>	<u>53</u>
 Prepayments and accrued income	 21	 76
Other debtors	371	403
Due from other group companies	13	3
	<u>489</u>	<u>535</u>

Amounts owed by group undertakings and due within one year are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Funds held as intromitter of funds

During the year, the Association held funds on behalf of a small number of tenants as an intromitter of funds under the Adults with Incapacity (Scotland) Act 2000. At the year end, custodian funds held amounted to £21,505 (2017: £26,595) for 5 tenants (2017: 8). These funds are not included in the financial statements.

16. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	4	76
Accruals	111	-
Deferred income	218	112
Rent and service charges received in advance	76	47
Salaries, wages, other taxation and social security	107	114
Other creditors	656	793
Due to other group companies	188	282
	<u>1,360</u>	<u>1,424</u>

Deferred income relates solely to contract income received in advance from Local Authorities for the provision of care services and is due to be release to the Statement of Comprehensive Income within one year. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

17. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Deferred income	83	83
Amount due to other group companies	2,313	2,700
	<u>2,396</u>	<u>2,783</u>

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility is made up of a committed facility of £658.14m from a syndicate of commercial banks, a committed facility of £106.25m from the European Investment Bank, £300m raised through the issue of a public bond, £100m private placement loan notes with Blackrock Real Assets and £100m facility with HSBC. This provides total facilities of £1,264.4m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Barony Housing Association having access to an intra-group facility of £2.3m secured on its housing stock. Interest in the year has been charged at 5.50% (2017: 5.56%).

Barony Housing Association Limited has secured a major portion of its housing stock (£6.4m) against this facility; however the remainder of its housing stock and any future new build properties will remain unsecured.

Borrowings are repayable as follows

	2018 £'000	2017 £'000
In less than one year	4	-
In more than one year but less than two years	3	-
In more than two years but less than five years	5	-
In more than five years	2,305	2,700
	<u>2,317</u>	<u>2,700</u>

Deferred Income

The Association receives contributions towards future furniture replacements within service charge income. Income is received in advance and is deferred until the goods/services have been provided in accordance with the Statement of Recommended Practice for registered social housing providers 2014.

Due to the nature of the future spend, the timing is unpredictable, and therefore the full deferred amount has been included within long term liabilities without further maturity analysis.

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

18. Share Capital

	2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April	60	59
Issued during year	2	1
Surrendered during year	(1)	-
At 31 March	61	60

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding up. Where 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. Pensions

Lothian Pension Fund

Barony Housing Association participates in the Lothian Pension Fund which is administered by Edinburgh City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association with investments under the overall supervision of the Fund Trustees. The latest full actuarial valuation was carried out as at 31 March 2017. The next full actuarial valuation is due as at 31 March 2020.

Pension Trust Social Housing Pension Scheme – Defined Contribution

Barony also operates a defined contribution scheme through the Pensions Trust. This scheme is open to all employees of Barony who are not members of the Lothian Pension Fund.

Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	31 March 2018	31 March 2017
Discount rate	2.7%	2.8%
Future salary increases	*2.0%	2.5%
Inflation	2.2%	2.3%

* Salary increases are assumed to be 2.1% until 31 March 2019, 2.0% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2018, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

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

19. Pensions (continued)

- Current pensioner aged 65: 21.4 years (male) (2017 22.1 years), 23.7 years (female) (2017 23.6 years).
- Future retiree upon reaching 65: 23.4 years (male) (2017 24.8 years), 25.8 years (female) (2017 26.2 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which Barony has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	2018 £'000	2017 £'000
Opening defined benefit obligation	19,591	18,633
Current service cost	509	424
Interest cost	551	656
Loss on curtailment	30	43
Actuarial losses	32	50
Contributions by members	88	101
Estimated benefits paid	(450)	(316)
Closing defined benefit obligation	20,351	19,591

Movements in fair value of plan assets

	2018 £'000	2017 £'000
Opening fair value of plan assets	21,818	17,611
Expected return on plan assets	611	620
Actuarial (losses)/gains	(1,254)	3,382
Contributions by the employer	403	420
Contributions by the members	88	101
Estimated benefits paid	(450)	(316)
Closing fair value of plan assets	21,216	21,818

	2018 £'000	2017 £'000
Present value of funded defined benefit obligations	(20,351)	(19,591)
Fair value of plan assets	21,216	21,818
Net asset	865	2,227

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

19. Pensions (continued)

Expense recognised in the statement of comprehensive income

	2018 £'000	2017 £'000
Current service cost	509	424
Losses on settlements or curtailments	30	43
Net interest on net defined benefit obligation	(60)	36
	479	503

The expense is recognised in the following line items in the statement of comprehensive income

	2018 £'000	2017 £'000
Operating costs	(7,052)	(6,621)
Finance charges	(152)	(187)
Finance income	61	4

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £1,286k loss (2017: £3,332k gain).

The fair value of the plan assets and the return on those assets were as follows:

	2018 £'000	2017 £'000
Equities	15,912	14,618
Corporate bonds	2,334	5,018
Property	1,485	1,527
Cash	1,485	655
	21,216	21,818
Actual return on plan assets	(643)	4,002

Defined Contribution pension arrangements

Expense recognised in Statement of Comprehensive Income

	SHPS 2018 £'000	SHPS 2017 £'000
Current service cost	37	38
	37	38

20. Related party transactions

There are no related party transactions to be disclosed within the financial statements. There is currently no tenant Board Members.

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

21. Cash flow analysis

Cash flow from operating activities

	2018	2017
	£'000	£'000
Surplus for the year	194	534
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	531	497
Increase in trade and other debtors	46	(58)
(Decrease)/increase in trade and other creditors	(62)	8
Pension costs less contributions payable	136	47
<u>Adjustments for investing or financing activities:</u>		
Interest payable	152	187
Interest received	(62)	(4)
Reversal of previous decrease in valuation of housing properties	(406)	(403)
Net cash inflow from operating activities	<u>529</u>	<u>808</u>

22. Ultimate parent organisation

The Association is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

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