

Bield Housing & Care

Annual Accounts



FREE TO BE

FOR THE YEAR ENDED 31 MARCH 2016

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Board of Management, Directors and Advisers

Board of Management:

Gerry O'Sullivan, BA (Chair)

Bill Nicolson* (Vice Chair)

David Scobie, FRICS (Vice Chair)

Hugh Carr, BA (Hons), ACA, CPFA

Ingrid Deuling, Dip COT, COTSS-
Housing, HCPC (Retired), BEM

Lesley Holdsworth, PhD, MPhil,
FCSP, SRP, DPT
(Appointed 17 September 2015)

Jim Jarvie, BA, CA
(Retired 17 September 2015)

Margery McBain, BSc, MBA, FCIPD

Jacqueline McCormick, MA (Hons), FCIH

Michael McFee, LLB, CA, ATII

Susan Napier, BSocSc, FRICS

Mohanjit Singh, BSc

William Smalley*
(Appointed 17 September 2015)

John Watson*
(Appointed 17 September 2015;
Resigned 26 November 2015)

* Tenant of Bield

Company Secretary:

Scott M Smith, FCMA, CGMA

Directors:

Chief Executive

Brian J Logan, BCom (Hons), CPFA

Housing Services

Amanda Miller, DipHS, FCIH
(Resigned 31 July 2015)

Graeme Russell (Interim Director)
(Appointed 1 August 2015;
Resigned 30 June 2016)

Asset Management

Stuart Dow, MCI0B

Care Services

Charlie Dickson, RMN, CSWM, CHM

Finance & ICT Services

Scott M Smith, FCMA, CGMA

Human Resources

Jayne Pashley, BSc (Hons), MSc,
LLM, FCIPD

Bankers:

The Royal Bank of Scotland plc
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Edinburgh
EH2 2YB

Registered office:

79 Hopetoun Street
Edinburgh
EH7 4QF

Solicitors:

T C Young
Melrose House
69a George Street
Edinburgh
EH2 2JG

Auditors:

RSM UK Audit LLP
(formerly Baker Tilly UK Audit LLP)
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Operating and Financial Review

The Board of Management presents its Operating and Financial Review and the audited financial statements for the year ended 31 March 2016. The Operating and Financial Review has been prepared in accordance with the ASB's Reporting Statement issued in January 2006.

Overview of Business

Bield Housing & Care is a charitable Registered Social Landlord (RSL) set up in 1971. Bield's primary objective is to improve the quality of life of older people by offering a diverse range of housing, care and other services. Bield has over 5,500 properties in management located across Scotland.

The main areas of business are:

- supported housing for older people
- housing for general needs
- housing support services
- registered care housing
- home/flexi-care and day care services
- management services to owner occupiers in private retirement housing
- Bield Response 24, a community alarm service.

Governance & Management

Bield is governed by a voluntary Board of Management. A full list of Board members is shown on page 3. The composition of the Board currently includes two Bield tenants. The Board brings a broad range of skills, experience and strengths to ensure the good governance of Bield's affairs. The Board's skill mix is reviewed on a regular basis and, where gaps are identified, Board members seek to identify individuals from within Bield's existing membership and the wider environment to strengthen the range of expertise within the Board's membership. New Board members are elected at Bield's Annual General Meeting. Bield carries out induction training for new Board members and a

training needs assessment has been carried out for existing Board members from which a training programme has been drawn up. Training and development of Board members is, and will continue to be, a regular feature of Board meetings. In 2013, Bield introduced a system of individual review of Board members, facilitated through a conversation with the Chair of the Board. These conversations assist in identifying learning and development needs, reviewing the contribution of individual members and aiding succession planning.

The Board controls Bield's strategic direction and reviews its operating and financial position. It is provided with timely and relevant information in order to discharge its duties. Bield has for a number of years been working through a programme of changes to strengthen its governance and constitutional arrangements. Bield's governance arrangements have been the subject of significant review over the last five years with the intention of achieving a more streamlined, efficient structure, with the aim of being fast, flexible, focused and future proof.

Bield is managed by the Senior Management Team of Directors. Details of the membership of the Senior Management Team are provided on page 3.

Regulation

Bield is primarily regulated by the Scottish Housing Regulator. As part of the Regulator's new risk-based approach to inspection, Bield's regulatory assessment dated March 2016 indicated that the Scottish Housing Regulator would have 'medium engagement' with Bield during 2016-17. This level of engagement has remained unaltered from the previous year with the Regulator commenting that "Given Bield's turnover we consider it to be systemically important".

Bield's Board and staff will work through an engagement plan with the Regulator during 2016-17.

Strategy and Objectives

Bield’s objectives and strategy are set out in its Business Strategy. A comprehensive and fundamental review of the Business Strategy covering a five-year period to 2015-16 was undertaken during 2010-11 and approved by the Board of Management in March 2011. This included a thorough review of Bield’s Vision, Mission and Values.

The theme for the strategy is ‘Bielding the Future’. Bield is committed to continuously improving its services for older people, involving an on-going programme of review and improvement. In addition, innovation is at the heart of Bield’s strategy and the plan contains strategic objectives where innovation will be required to achieve Bield’s objectives. The business planning process includes a series of consultation meetings with staff, staff representatives (office and development-based), senior management and Board members and has set a challenging programme of modernisation and continuous improvement to ensure that Bield is able to meet the many challenges ahead.

The Business Strategy recognises that Bield faces a fast-changing and dynamic external environment. Changes in government at a local and national level over the last four years have meant that policy

direction has been subject to change. Key external policy drivers identified as impacting on Bield are as follows:

- national strategy for housing older people;
- future of the social rented housing sector;
- investment strategy and performance and efficiency;
- future of sheltered housing; and
- reshaping care for older people.

In addition, the prevailing financial climate has had an impact on Bield with funding cuts and a need for ever-greater efficiency. This will continue to be a key challenge for Bield over the next few years. Long-term plans have been kept under constant review as a result.

A fundamental review of the Business Strategy took place during 2015-16 in order to set strategic objectives for the five-year period 2016-21. The theme of the 2016-21 Business Strategy is ‘Strong foundations – Creating Choice’ which places our customers at the heart of what we do along with a belief that we can help them make their own choices and be free to live as independently as possible.

The 2016-21 Business Strategy has four strategic objectives:

Strategic Objective	How we plan to achieve this
<p>Our Customers’ Homes and Services – we will actively manage our housing, care and other services to meet our customers’ expectations</p>	<ul style="list-style-type: none"> • We will deliver high quality, person centred services • Our customers feel we offer them value for money • We will create better places to live for our customers
<p>Our People – we will aim to develop, recognise and value our people and the contribution they make.</p>	<ul style="list-style-type: none"> • We will have a diverse, skilled and competent workforce • Our people feel valued and supported at all levels in the organisation • Our people will be able to influence the way we work and the service we deliver
<p>Working Effectively – we will work in the most efficient way possible to provide value for money to our customers.</p>	<ul style="list-style-type: none"> • We will strengthen our financial position • We will have simple and efficient systems and procedures • We will provide a more responsive customer service
<p>New Opportunities – we will develop our business in a sustainable and cost effective way, through the creation of key strategic partnerships and the development of new homes and services.</p>	<ul style="list-style-type: none"> • We will nurture innovation • We will build key partnerships in order to protect and enhance our services • All new approved opportunities will be financially viable

Operating and Financial Review (continued)

From these strategic objectives, detailed action plans containing operational objectives and initiatives are set. These are underpinned by targets, timescales and defined staff responsibilities to ensure that the objectives are met and that all parts of the organisation take ownership of the Business Strategy. Any financial commitments arising from the Business Strategy are reflected in Bield's Annual Budget and long-term financial projections.

Target Market & Products

Bield is focused on providing housing and support services to older people. All the various projections show Scotland's population ageing significantly over the next 25 years.

The fact that Scotland has an ageing population does not in itself imply any particular conclusions can be drawn about the accommodation and services that will be required in the future. The way in which services have been delivered in the past will not necessarily meet the expectations, aspirations and needs of older people in the future. Nevertheless, it would appear that it can be safely concluded that the number of older people who may be in need of services in the next 25 years is set to grow substantially.

As well as living longer, there is evidence that people are staying healthier longer, which allows moving into specialist accommodation or the need for care to be postponed to a later age.

Accommodation specifically designed for older people has ranged from specially designed housing, through sheltered and very sheltered housing to residential and nursing homes to geriatric hospital units. The trend over recent years has been to move away from the more institutional end of the spectrum towards housing and particularly home-based services. Bield has sought to respond accordingly and the home, flexi-care and supported living services being provided in conjunction with local authority partners have been areas of expansion.

Bield is a significant provider of housing support for older people. Many households benefit from this type of service from Bield, most of whom are Bield tenants. However, increasingly services are delivered to people who are not Bield tenants through floating support services.

The funding of housing support services is met by local authorities through Housing Support Grant, first introduced in 2003. Budget reductions by the Scottish Government and local authorities have meant that, in common with many housing support providers, Bield faces substantial financial and operational challenges in its future delivery of housing support. This has led Bield to review the housing models that it offers in order to keep costs within the funding available. This review has led to a significant move away from a traditional Sheltered Housing model to a Retirement Housing model where there is no reliance on housing support funding.

Key Risks Impacting on Future Performance

Like all businesses, Bield faces a wide variety of business-related risks. Bield's approach to risk management is to ensure that an awareness of risk is embedded at all levels within the organisation and that an effective system is in place for monitoring and recording identified risks. The overarching Risk Management Framework outlines the responsibilities of Board members and staff.

Functional Risk Maps are developed to match as far as possible the responsibilities at Board, Committees and senior management level. The Risk Maps are reviewed by management and Committees with risks assessed using a rating method as to the level of risk to the organisation. New risks identified are duly considered and added to risk maps where appropriate. Risks are regularly reviewed within the Senior Management Team, at departmental team meetings and through the Board and Committees, helping to reinforce the process of embedding a risk management culture across the organisation. Appropriate control procedures and monitoring arrangements have been included within the relevant Risk Maps to ensure that risks are managed appropriately. A full and comprehensive review of Bield's approach to managing risk was undertaken during 2013-14.

Bield continues to operate within a very dynamic and fast-changing external environment creating many challenges. The following risks have been identified as those most likely to affect Bield's future performance:

Key Risk	Background to Risk
Reduction in Public Expenditure	The reductions in public expenditure continue and are now starting to have a real impact on the ability of organisations like Bield to continue to deliver the same level of services as in the past. The Business Strategy seeks to ensure that Bield places less reliance on public sector funding and remains financially stable in the longer term.
Registered Care Home Funding	As a result of the move away from deficit funding arrangements to a national care home rate by local authorities, Bield has experienced significant funding deficits. The introduction of the Living Wage by Scottish public sector bodies and an expectation that those organisations that they contract with, such as Bield, will similarly implement the Living Wage merely adds to the financial risk.
Home Care and Day Care Funding	Bield has been relatively successful in increasing business activity in this area over recent years. It is critically important that costs are contained within approved income levels to avoid Bield incurring financial loss.
Increased Pension deficits	Successive pension valuations in recent times have resulted in a requirement for increased contributions due to on-going deficits. There is a risk that this trend could continue.
Impact of Strategic Change	Bield is now well underway with its programme of change with the scale of change being unprecedented for the organisation. Accordingly, there is a risk to Bield's ability to deliver its services consistently and to the same standard. Individual change projects have been managed well to date; it is the cumulative effect of numerous change initiatives which presents the greatest risk to staff morale, stress and sickness levels and the failure of day-to-day operations.
Breach of Data Protection	A review of data protection practices across the organisation took place which identified a number of potential deficiencies in practices. As a result, a breach of data protection was identified as a severe risk to the organisation. A range of policies and procedures are in place to guide staff and training is being provided to further enhance the awareness of data protection issues.
Generation of expected sales income	Sales of shared ownership properties are essential to maintain the financial viability of the organisation and as such there is potentially a severe risk to the organisation if these sales failed to materialise.
Loss of income through void properties	Bield has experienced an increased number of voids and 'difficult-to-let' properties with a consequent loss of rental income. Bield's Asset Management Strategy will seek to ensure that properties remain fit for purpose, thereby reducing the level of future voids.

Operating and Financial Review (continued)

All risks will continue to be assessed, managed and controlled in accordance with the approved risk management strategy. Bield will continue to accept risks inherent in the achievement of its Mission and Strategic Objectives, as set out within the Business Strategy, provided these are properly assessed. Any risk which materially jeopardises Bield's ability to achieve its Mission or Strategic Objectives or conduct its business will not be accepted.

Operational Performance

A number of projects have been successfully completed during 2015/16. Notable projects during the year were:

- Achieving Gold level at our Investors in People re-accreditation
- Purchasing a care home at Haugh Street, Edinburgh from Elizabeth Finn Care
- Launching new arrangements for tenant scrutiny with our Partnership Forum
- Launching a new Performance Development Framework for all staff
- Securing the provision of community alarm services for Inverclyde Council
- Commencing a full review of Reward & Recognition for staff including the triennial review of pension provision
- Continuing public relations and government lobbying in partnership with Hanover (Scotland) and Trust Housing Associations

- Full reservation along with 85% completed sales being achieved at the shared ownership project in Bearsden along with the continuing development of the shared ownership project in St Andrews with progress being made in both reservations and completed sales
- Taking into management two new Owner Services developments in Bridge of Earn and St Andrews
- Commence on-site a new build development of 40 units for rent at Fleming Place, Edinburgh
- Extended marketing of the organisation to raise our profile including the launch of a new website
- £11m spent on maintaining and improving the quality of Bield's housing stock.

Resources

Housing Stock

Bield manages over 5,500 properties, of which just over 4,700 are owned, making it one of the largest RSLs in Scotland.

The aim of Bield is to have a common level of rents for all similar properties. The rent policy should be logical, consistent and easily applied. Bield's rent policy takes into account three objectives; affordability for the client group, financial viability for Bield and marketability compared with its peer group.

At 31st March 2016, Bield had the following stock in management:

Amenity	324
Retirement	2,640
Sheltered	86
Very Sheltered	1,181
Care Homes	217
Shared Ownership/Equity	134
General Needs	108
Resident Staff	17
Owner Services	861
Total	5,568

At the end of 2015-16, 330 Bield properties did not meet the Scottish Housing Quality Standard. Specific action is being undertaken to upgrade those properties which have not met the Standard. The Board recognises the need to maintain and improve existing housing stock. Bield is expecting to spend around £70m on maintaining its properties over the next five years. This includes the preliminary outworkings from the strategic review of Bield's existing housing stock for redevelopment and re-provisioning. This level of expenditure will have a significant impact on the reserves balances that Bield currently holds and the cash requirements of the organisation.

In addition to investing in existing stock, the Board will, in accordance with the Development Strategy, seek to maximise financially viable development opportunities as they arise to further strengthen Bield's asset base.

Employees

Bield is a people organisation – Bield relies on a highly-committed workforce in order to deliver a high quality service to our customers. During 2015-16, the average number of full-time equivalent staff employed by Bield was 806 (2015: 814).

Bield benchmarks staff turnover levels, sickness absence, ethnic mix, gender and age profile against available statistics on a regular basis. In addition, Bield has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting Bield, its tenants and other service users. This is achieved through consultations with employee representatives at the Joint Information and Consultative Forum, distribution of the Business Strategy to staff and a range of communications including regular staff meetings, newsletters and the use of its intranet, *Grapevine*.

The Investor in People standard was first awarded in 1997 and has been successfully maintained since, with the most recent review in 2015-16 awarding gold status to the organisation. In 2014, Bield was awarded the national standard for Investors in Diversity Stage 1.

Bield seeks to recruit and retain quality staff by offering attractive employment packages. Following the triennial valuation of Bield's pension scheme at 30 September 2014, a review of its existing arrangements and extensive consultation took place with staff during Autumn 2015. From 1 April 2016, Bield will maintain both a Career Average

and Defined Contribution scheme which are available to all staff. Pension auto-enrolment became mandatory for Bield in September 2013 and as a result, there has been a rise in the number of employees participating in the pension offerings available. Re-enrolment is due to take place for the first time during 2016-17.

As part of Bield's commitment to ensure it attracts and retains high quality staff, a salary comparability exercise was undertaken over Summer 2015. Bield's salary levels are considered generally competitive in the marketplace although increases were applied to some salary scales through the adoption of the living wage. A wider review of reward and recognition commenced during 2015-16 with a scheduled completion during 2016-17.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities as are applications from other persons irrespective of gender, sexual orientation, marital status, age, religious belief, race or ethnic origin.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Bield has prepared detailed health and safety policies and provides staff training and education on health and safety matters. Bield has a Health & Safety Management Group. This group, which includes Directors, meets to oversee activities and procedures related to health and safety. Employee consultation on health and safety matters is conducted through the Joint Information and Consultative Forums and the Board of Management receives six monthly reports on health and safety issues.

Information & Communications Technology (ICT)

ICT is a powerful and ever-increasing business tool to enable communication, data processing, reporting, and improved organisational efficiency. In the year to 31 March 2016, £296,000 was spent on new ICT equipment and software. This included sums in respect of the Virtual Desktop Infrastructure (VDI), enhancing ICT security and business continuity arrangements, Electronic Document and Records Management System (EDRMS) and the on-going replacement programme for PCs and printers. Training continues to be provided to ensure all development-based staff can maximise the use of PCs to improve communication and reduce administration.

Operating and Financial Review (continued)

In accordance with Bield's ICT Strategy, further extensive ICT Projects are planned for future years including piloting of wi-fi in schemes, upgrading the telecoms system and the completion of virtual desktops within the ICT infrastructure. There also remains an increasing need to enhance ICT security in order to ensure that data remains secure and stored appropriately. All of these significant projects form a key part of Bield's continuous improvement programme.

Continuous Improvement

Bield is committed to the principle of continuous improvement and the Business Strategy 2016-21 seeks to ensure services are reviewed and improved as required. The Performance Management Framework will identify areas of the business for improvement.

Financial Review

Accounting Policies

The principal accounting policies of Bield are set out in Note 1 to the Financial Statements on pages 22-25.

Financial Highlights

Turnover for the year was £50.1m, an increase of 9.7% on the previous year. There was an increase in rent loss through void properties along with significant reductions in both Housing Support and Care income either through the planned reconfiguration of services or an unplanned reduction in income which continues to put pressure on the wider organisation. These reductions were offset by an increase in rents and service charges and the full year effect of additional units which came into management during 2014-15.

Operating costs for the year have increased by 8.7% which is broadly in line with the increase in turnover. There have been some increases in maintenance spend and also increased staffing costs following the introduction of the living wage, resulting in an operating surplus of £2.6m in 2015-16 (2015: £2.0m). Reductions in operating costs will be required in future years in order to maintain financial viability in the longer term.

We believe that the required accounting treatment in relation to the pension scheme actuarial valuation and the subsequent increase in the past service deficit contributions provision, is appropriately accounted for by showing it after the operating surplus within the Statement of Comprehensive Income. This is more informative for the user of the financial statements.

The increase in provision is repayable over a 10 year period commencing on 1 April 2016 which is one of the reasons why we do not believe it should be accounted for as an operating cost in 2015-16. The auditors feel that this amount should be accounted for within operating costs. Please refer to the SHPS Defined Benefit Pension Liability paragraph on page 13 and the Auditor's Report for further information.

The total comprehensive income is significantly lower compared to the previous year at £0.4m (2015: £3.5m) as a result of the past service deficit contributions referred to above along with the requirement for less investments to be sold in order to fund the lower projected cash shortfall during the year.

Whilst in overall terms Bield made a surplus, a number of individual business areas made deficits which were anticipated as part of the Budget setting process for 2015-16.

Capital expenditure on properties amounted to £6.2m (expressed in cash terms in the Cash Flow Statement) which is a decrease from £7.4m in the previous financial year, primarily as a result of a reduction in the new build development programme. Grant funding for new developments and site acquisitions continues to be difficult to secure. However, where financially viable development opportunities arise, Bield will seek to exploit those to meet its overall strategic objective of continuing to provide high quality housing for older people. After a depreciation charge of £5.9m, Bield's housing properties decreased from £133m to £129m. This reduction is primarily due to the completion of shared ownership properties which were either sold or transferred into current assets as stock available for sale.

Bield's investment portfolio, managed by Baillie Gifford & Co, is classified as a Fixed Asset in the Balance Sheet. Bield's portfolio had previously been subjected to turbulence in the global financial markets. However, the portfolio continued to recover during 2015-16 and consequently the valuation of the portfolio at the end of March had increased from its 2014-15 level. This was however offset by the planned sale of investments in 2015-16 of £2.7m (2015: £4.0m) to meet the budgeted cash shortfall during the year. Although the investment portfolio is primarily held for the long term, it is anticipated that Bield will realise some of these investments in the short term in order to invest in both the current and new housing stock with the Board approving the further sale of c£3.3m of investments to meet the projected cash shortfall in 2016-17. Bield's Performance & Audit Committee monitors the performance of the investment portfolio with an emphasis on the longer term performance trend over a three to five year period.

Donations to Charitable organisations

In order to further Bield's objectives, charitable donations totalling £1,000 (2015: £1,000) were made to the Lintel Trust.

Capital Structure and Treasury Policy

Total funds at the end of the year were £58.0m (2015: £59.2m) of which £53.8m (2015: £53.4m) comprised the general Revenue Reserve. Long-term borrowings at the period end have fallen to £3.5m (2015: £4.1m) principally due to loan repayments made during the year. The gearing ratio of 6.0% (loans as a percentage of reserves) remains relatively low compared with other RSLs and well within Bield's ceiling of 30%. Bield has substantial unutilised security on its Balance Sheet. Whilst this means that Bield should be able to access additional borrowing to fund new development and stock investment, it should only do so if it has the ability to service capital repayments and annual interest charges. Cash balances increased during 2015-16 mainly as a result of the timing of capital expenditure payments being made. The cash balance of £3.3m (2015: £0.8m) at the end of the financial year is, as anticipated, below the minimum specified in the Treasury Management Policy. This variation was given prior approval by the Board.

Bield's Treasury Management Policy was reviewed in early 2009 and is scheduled for review during 2016-17. It seeks to ensure that sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. Treasury management activity is the responsibility of the Director of Finance & ICT Services, operating under the policy direction of the Board. In the current economic conditions, closer scrutiny is rightly placed on this area of work.

The policy of Bield in the investing of surplus funds is to achieve a satisfactory return while minimising risk. In relation to borrowing, the policy is to ensure the stability of Bield's long-term financial position by borrowing on the most economically advantageous terms with a preference for fixed rate once the money raised has been committed to long-term projects.

Bield borrows at both fixed and variable rates of interest. At 31 March 2016, the percentage of fixed rate borrowing was 65% (2015: 67%) and the percentage of variable rate borrowing was 35% (2015: 33%), within the parameters set by the Board. No new borrowing facility was required in 2015-16 although there is the possibility that some additional funding may be required in the medium to longer term.

Payment of Creditors

Bield's policy concerning the payment of its trade creditors complies with the Confederation of British

Industry guidelines. The average payment period is 25 days (2015: 29 days).

Cash Flow

The net cash increase in 2015-16 was £2.5m compared to an increase of £1.2m in the previous year.

Bield ended the year with a positive reconciled cash balance of £3.3m which is more favourable than was budgeted as a result of the timing of capital expenditure payments taking place.

Fixed Assets

The cost of Bield's housing properties after depreciation is £130m. These have been funded principally through a combination of Housing Association Grant and other grants, private finance and internal resources. The market value of Bield's housing properties is substantially higher than the net book value and is sufficient to meet all asset value related loan covenants.

Reserves

Bield holds three principal reserves: a revaluation reserve, a restricted reserve and a revenue reserve.

The revaluation reserve represents the unrealised difference between the market value and the cost of Bield's investments. This has reduced over the course of 2015-16 as further selling of investments has taken place.

The restricted reserve mainly represents the restricted element of the Bield Housing Trust's assets transferred during 2009-10 along with the balance of monies received from a number of valued contributors, including specifically The Short Breaks Fund, The Bank of Scotland Foundation, The RS Macdonald Charitable Trust and Falkirk Change Fund: Partnership Innovation Fund.

The revenue reserve represents the accumulated surpluses of Bield. The reserves have been primarily invested in property assets let to tenants. Each year, Bield's target is to increase its revenue reserve to ensure that adequate sums are held to minimise future financial risks. These reserves have increased significantly since 2010 as a result of fundamental changes in accounting standards rather than an improvement in financial performance. Whilst it is understandable that readers of the financial statements interpret the level of reserves held as capacity to spend money, the reality is that the requirement to satisfy loan covenants restricts the amount of reserves that can be released.

Only 18% of Bield's total reserves are cash or near-cash backed. These sums were historically built up to fund future anticipated investment in Bield's ageing housing stock and as a buffer against unforeseen emergencies.

Operating and Financial Review (continued)

Key Performance Indicators

The Board recognises the importance of monitoring performance against a range of internal targets as a means of measuring continuous improvement. A number of key performance indicators are included within the Business Strategy and are the subject of regular monitoring reports to the Board of Management and Performance & Audit Committee.

The Board considers Bield's performance to be satisfactory. In relation to operational performance, the indicators Rent loss (Voids), Rent arrears and staff sickness absence failed to meet the internal target. In relation to Rent loss (Voids), this continues to be a business priority with a number of short and longer term initiatives being put in place in order to address the situation. In relation to Rent arrears, this is slightly higher than target and although requiring close monitoring and management, the level of arrears is not currently a cause for concern. In relation to staff sickness absence, a higher level of long-term absence due to serious illness has been experienced across Bield with the figures shown below including these long-term absentees even although their eligible pay may have expired. In relation to financial performance, the approved budget for 2015-16 highlighted the quick ratio as being below the internal target. This reduction reflects both planned capital expenditure and the delivery of the Business Strategy.

Equality & Diversity

Bield's Equality & Diversity Strategy commits Bield to providing equality of opportunity for all. An Equality Action Plan has been compiled and is included in the Business Strategy. Bield takes a positive approach to promoting its services to the Black and Minority Ethnic (BME) communities.

The achievement of Investors in Diversity Stage 1 demonstrates Bield's commitment to ensuring equality and diversity is embedded across Bield and within all services.

The Modern Slavery Act 2015

The Modern Slavery Act 2015 requires certain organisations to provide information regarding their efforts to eliminate slavery and human trafficking in their supply chains.

The following statement sets out the position of Bield in compliance with the Act.

Bield is committed to the highest standards for lawful, honest and ethical conduct in all its business dealings. This is primarily effected through the procurement of required works, goods and services which are governed by EU and UK Procurement Legislation which reflect and adhere to the laws and ethical standards relating to supply chains.

Bield verifies the legitimacy of its supply chains via pre-qualification questionnaires and/or invitation to tender documents contained within the procurement process, ensuring that unsuitable companies are excluded from the tender procedure. Similarly, Bield ensures that engaged companies typically have formal business conduct and similar policies consistent to those of Bield's own.

Bield does not currently provide staff with training in relation to slavery and human trafficking in the supply chains as Bield believes that the policies and procedures referred to above are sufficiently robust to ensure that the risk of any occurrence is extremely low.

Bield therefore believes that to the best of its knowledge, its suppliers do not engage in illegal slavery or human trafficking.

The following summarises some of the key performance indicators for Bield:

Indicator	2015/16	2014/15	Internal Target
Operational			
Reactive repairs carried out and completed right first time	92%	90%	90% or better
Rent loss (Voids) due to empty properties during the year	3.3%	3.3%	Under 2.75%
Rent arrears as a % of rent due	2.1%	2.1%	Under 1.75%
Staff sickness absence	5.7%	5.9%	3.5% or less
Financial			
Quick ratio	52%	47%	Over 100%
Surplus as a proportion of turnover	0.9%	7.7%	Over 3%
Interest cover	1,877%	1,035%	110% (min)
Gearing	6.0%	6.8%	50% (max)

Environmental, Social and Community Issues

Bield takes its environmental responsibilities seriously and strives, wherever possible and within financial constraints, to minimise the impact of its activities on the environment. Plans are being implemented to improve energy efficiency within developments and to control temperature levels within developments more effectively.

Bield actively engages in social and community activity at a local level. In particular, efforts are made by development managers to ensure developments and projects form an integral part of community life. As part of this commitment, Bield has an active programme of recruiting volunteers to assist residents with social activities, provide befriending support and tutor older people in the use of computers.

Going Concern

Bield's business activities, together with the factors likely to affect its future development, performance and position are set out within this Operating and Financial Review. The Operating and Financial Review also includes a review of the financial position of Bield, its cash flows, liquidity position and borrowing facilities.

Whilst it may appear on the face of the Balance Sheet that Bield may have an issue with liquidity (Net Current Liabilities position in 2014-2015), this is masked by the fact that the considerable amount of investments held as Fixed Assets are fairly liquid and can be sold and turned into cash within approximately three days. This has been highlighted by the sale of £2.5m of investments during 2015-16 (2015: £4m) and a further £1.5m in the period April to June 2016.

Bield's financial projections demonstrate that Bield has the ability to meet its commitments in the short, medium and long-term. Therefore, the Board of Management believes that Bield is well placed to manage its business risks successfully despite the current uncertain economic outlook. This may mean that difficult decisions will have to be made during the life of the 2016-21 business strategy in order to ensure that this remains the case.

The Board has a reasonable expectation that Bield has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Internal Control

The Board is responsible for Bield's system of internal control and its effectiveness and therefore demands a strong control environment. However, the system is designed to manage rather than eliminate risk and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board through the Performance & Audit Committee has reviewed the effectiveness of Bield's internal financial controls and risk management for the year ended 31 March 2016. No significant weakness in the internal controls has occurred resulting in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board's full Statement on Internal Financial Controls is set out on page 15.

SHPS Defined Benefit Pension Liability

As a result of the adoption of FRS102 Bield is required to recognise a liability for the net present value of the contributions required to be made to the scheme in relation to the past service deficits. During the 2015/16 financial year Bield was formally notified of an increase in the past service deficit contributions, based on the most recent valuation at September 2014, which has resulted in a cost of £3.5m in the year. The Board believes that this cost should be shown below operating profit for the year as it does not represent an ordinary activity of Bield.

The auditors disagree with this accounting treatment and are of the opinion that FRS102, Section 28 Employee Benefits, and the SORP 2014 requires changes to the past service deficit contributions to be recognised in operating profit. As a result the auditors have issued a qualified audit report with reference to this.

This is explained further in the accounting policies on page 22 of the financial statements.

Awareness of Audit Information

The Board members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. Each of the Board Members has confirmed that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditors

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated its willingness to continue in office. A resolution proposing their reappointment for 2016-17 will be submitted at the Annual General Meeting.

By order of the Board of Management

GERRY O'SULLIVAN

Chair of the Board of Management

July 2016

Statement of the Board's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Bield and of the surplus or deficit for that period. In preparing these financial statements, the Board of Management 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 and;
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that Bield will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of Bield and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Accounting for Registered Social Landlords Statement of Recommended Practice 2014. It has general responsibility for taking reasonable steps to safeguard the assets of Bield and to prevent and detect fraud and other irregularities.

Board Statement on Internal Financial Controls

The Board acknowledges its ultimate responsibility for ensuring that Bield has in place a system of controls that is appropriate to the various business environments in which it operates.

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

The key procedures which have been established and which are designed to provide effective internal financial control include:

- Comprehensive budgeting systems with an annual budget approved by the Board of Management;
- Regular consideration by the Board of Management of actual results compared with budgets, together with a forecast for the year. Significant variances from budgets are investigated, explained as appropriate and action taken as agreed;
- An internal audit programme which is designed to cover the main business activities of Bield. The scope and content of this programme are reviewed by the Performance & Audit Committee. The independent professional internal auditor, who works closely with the external auditor, has direct access to the Performance & Audit Committee which receives the reports and agrees appropriate action plans;
- Written scheme of delegation including details of delegated authority and;
- An assessment of the risk areas faced by Bield, with details of the control mechanisms in place to counteract that risk. The Performance & Audit Committee reports annually to the Board of Management on the effectiveness of the Risk Management procedures.

The Performance & Audit Committee assists the Board in meeting its responsibility for ensuring that Bield's financial systems provide accurate and up to date information on its financial position and that the Annual Accounts represent a true and fair reflection of this position. The Committee also assists the Board by reviewing the accounting policies and internal financial controls. The internal and external auditors attend meetings of the Performance & Audit Committee at least once a year. The internal auditor has direct access to the Chair of the Performance & Audit Committee.

The Board has reviewed the effectiveness of the system of internal financial controls. No weaknesses have been found which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements. Where weaknesses in internal financial controls are identified, appropriate remedial action is taken.

These arrangements are considered appropriate to the scale and range of Bield's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.

By order of the Board of Management

GERRY O'SULLIVAN

Chair of the Board of Management

July 2016

Independent Auditor's Report

to the Members of Bield Housing & Care

We have audited the financial statements of Bield Housing & Care for the year ended 31 March 2016 on pages 18 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to Bield's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to Bield's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bield and Bield's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Board of Management's Responsibilities Statement set out on page 14, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <https://www.frc.org.uk/auditscopeukprivate>.

Basis for qualified opinion on financial statements

As disclosed in the accounting policies on page 22, Bield has recognised the cost of £3.5m in relation to the increase in pension past service deficit contributions below operating profit, contrary to our interpretation of the requirements of FRS 102, Section 28, Employee Benefits. In our opinion,

these costs should have been included within operating profit. Had the £3.5m of costs been included in operating profit the operating deficit for the year would have been £0.9m, compared to the £2.6m surplus currently shown. The overall surplus for the year remains unaffected regardless of which accounting treatment is adopted.

Opinion on financial statements

In our opinion, except for the effect of the matter described in the basis for qualified audit opinion paragraph above, the financial statements:

- give a true and fair view of the state of Bield Housing & Care's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

RSM UK AUDIT LLP (FORMERLY BAKER TILLY UK AUDIT LLP)

Statutory Auditor
Chartered Accountants
139 Fountainbridge
Edinburgh
EH3 9QG

July 2016

Independent Auditor's Report to the Members of Bield Housing & Care

on Internal Financial Controls

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning Bield Housing & Care's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of Bield Housing & Care and examination of relevant documents. The Bulletin does not require us to review the effectiveness of Bield Housing & Care's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK AUDIT LLP (FORMERLY BAKER TILLY UK AUDIT LLP)

Statutory Auditor
Chartered Accountants
139 Fountainbridge
Edinburgh
EH3 9QG

July 2016

Statement of Comprehensive Income

for the Year Ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	50,129	45,709
Operating expenditure	2	(47,498)	(43,708)
Operating surplus		2,631	2,001
Investment income and interest receivable	6	184	255
Interest and financing costs	7	(306)	(470)
Gain/(loss) on disposal of fixed assets	9	1,450	2,137
Pension past service deficits	24	(3,523)	(425)
Total comprehensive income for the year		436	3,498

The results for the year relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed Assets			
Housing properties	11.A	129,802	132,969
Other fixed assets	11.B	7,217	7,605
Fixed asset investments	12	7,376	10,305
		144,395	150,879
Current Assets			
Properties held for sale	13	5,146	1,962
Trade and other debtors	14	2,144	1,800
Cash and cash equivalents		3,270	777
		10,560	4,539
Current Liabilities			
Creditors: amounts falling due within one year	15	(10,390)	(9,654)
Net Current Assets/(Liabilities)		170	(5,115)
Total Assets Less Current Assets/(Liabilities)			
		144,565	145,764
Creditors: amounts falling due after more than one year	16	(75,268)	(77,982)
Provisions for liabilities			
Pension provision	19	(11,337)	(8,595)
Total Net Assets		57,960	59,187
Reserves:			
Revenue reserve		53,849	53,371
Revaluation reserve		4,004	5,667
Restricted reserve		107	149
Total Reserves	20	57,960	59,187

The financial statements were approved by the Board of Management and authorised for issue on 7 July 2016 and are signed on its behalf by:

GERRY O'SULLIVAN

Chair of the Board of Management

MICHAEL McFEE

Member of the Board of Management

SCOTT SMITH

Company Secretary

The accompanying notes on pages 22 to 44 form part of these financial statements..

Statement of Changes in Reserves

for the Year Ended 31 March 2016

	Revaluation Reserve £'000	Restricted Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 April 2014	7,068	99	49,923	57,090
Surplus for year	–	–	3,498	3,498
Realised gain for year	(2,097)	–	–	(2,097)
Unrealised gain for year	696	–	–	696
Transfer from/(to) Income and Expenditure Account	–	109	(109)	–
Transfer (to)/from Income and Expenditure Account	–	(59)	59	–
Balance at 31 March 2015	5,667	149	53,371	59,187
Surplus for the year	–	–	436	436
Realised gain for year	(1,530)	–	–	(1,530)
Unrealised loss for year	(133)	–	–	(133)
Transfer from/(to) Income and Expenditure Account	–	46	(46)	–
Transfer (to)/from Income and Expenditure Accounts	–	(88)	88	–
Balance at 31 March 2016	4,004	107	53,849	57,960

Statement of Cashflows

for the Year Ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Net cash generated from operating activities	21	6,630	6,179
Cash flow from investing activities			
Purchase of tangible fixed assets		(6,176)	(7,421)
Proceeds from sale of tangible fixed assets		2,722	4,111
Interest received		184	255
Net cash (used in) investing activities		(3,270)	(3,055)
Cash Flow from Financing Activities			
Interest paid		(314)	(476)
Repayments of borrowings		(553)	(1,457)
Net cash (used in) financing activities		(867)	(1,933)
Net increase in cash and cash equivalents		2,493	1,191
Cash and cash equivalents at beginning of year		777	(414)
Cash and cash equivalents at end of year		3,270	777

The cash and cash equivalents are made up of bank accounts held at the year end.

Notes to the Financial Statements

1. Accounting Policies

Bield is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator (Registration No. HEP 71) under the Housing (Scotland) Act 2010. Bield has charitable status with HM Revenue & Customs (Charity Number SC006878) and is eligible for exemptions from corporation tax on charitable activities.

The principal activity of Bield is providing a diverse range of housing, care and other services to older people. The nature of our operations is explained more fully in the Overview of Business in the Operating and Financial Review (pages 4–13).

Bield is a Public Benefit Entity.

ACCOUNTING BASIS

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS102”) except for Section 28, Employee benefits, the Housing SORP 2014 “Statement of Recommended Practice for Registered Housing Providers” and they comply with the Determination of Accounting Requirements 2015, and under the historical cost convention, modified to include certain financial instruments at fair value. The financial statements are prepared in sterling (£).

In the auditors’ opinion, under Section 28 (Employee Benefits) of FRS102, Bield is required to recognise changes in the pension past service deficit contributions in the year that this is formally notified and agreed, as part of the operating profit for the year. The Board have considered this requirement carefully and have decided that in their opinion the cost associated with the increase in the pension past service deficit contributions should not be reflected in operating profit as it does not represent an ordinary operating activity of Bield. The cost recognised in the year, below operating profit, in relation to the increase in past service deficit contributions is £3.5m.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors including

expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the economic useful life estimates of the components of housing properties.

CHANGE IN ACCOUNTING POLICY

These financial statements are the first financial statements Bield has prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102). The financial statements of Bield for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period reported under previous UK GAAP are given in note 29.

TURNOVER

Turnover represents rental and service charge income receivable (net of voids), fees, income from shared ownership first tranche sales, revenue grants and donations. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored or;
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

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

The major components are deemed to be Land, Structure, Kitchen, Bathroom, Windows & Doors, Heating, Lift, Fire Alarm, Warden Call and Communal Lighting. Each component has a substantially different economic life and is depreciated over its individual life. Depreciation rates are shown below.

SALE OF HOUSING PROPERTIES

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

HOUSING ASSOCIATION GRANT

Housing Association Grant (HAG) is payable by the Scottish Government, City of Edinburgh Council and Glasgow City Council. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Where costs are not funded by HAG, the residual finance is sought from other sources or is funded internally.

HAG received for housing properties is recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding Land) on a pro-rata basis under the accruals model.

On disposal of an asset for which HAG was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant the liability is included in the Statement of Financial Position.

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Depreciation

(i) Housing properties:

Depreciation is charged on a straight-line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Structure	50 years
Kitchen	20 years
Bathroom	35 years
Windows & Doors	25 years
Heating	25 years
Lift	25 years
Fire Alarm	15 years
Warden Call	10 years
Communal Lighting	15 years

Land is not depreciated

The economic useful life of the Warden Call component was revised in 2015/16 from 15 years to 10 years. The financial impact of this reduced life was a total charge of £147k to the Statement of Comprehensive Income.

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

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

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

Notes to the Financial Statements (continued)

(ii) Other fixed assets:

Depreciation is charged on a straight-line basis as follows:

Office Premises	50 years
Office Fixtures & Fittings	10 years
Furniture & ICT Equipment	3 years
ICT Software & Telecoms	5 years
Motor Vehicles	5 years
Community Alarm Units	5 years

Expenditure less than £1,000 is not capitalised. Any costs related to the employment of staff specifically to manage ICT capital projects are capitalised.

STOCK

Stock of housing properties is stated at the lower of cost and net realisable value.

RESTRICTED RESERVES

A restricted reserve is held where funds are subject to conditions specified by a third party. Bield holds one restricted reserve in relation to donations received and where the use of those funds is limited to a specific purpose. Further restricted reserves will be created as required.

RETIREMENT BENEFITS

Bield participates in two industry wide, multi-employer defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) and the Growth Plan, and a defined contribution scheme. For the defined contribution scheme the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

For the SHPS, current service contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

The rate used to discount the benefit obligations to their present value is based on market yields

for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

FINANCIAL INSTRUMENTS

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

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

Financial assets

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

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

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

Trade Investments

Trade investments are equity investments over which Bield has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through profit or loss when transaction costs are expensed to profit or loss as incurred.

Trade investments in non-convertible and non-puttable ordinary shares are measured at fair value through the Statement of Comprehensive Income.

The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price. The fair value of unlisted investments is measured using valuation techniques which include turnover multiple, earnings multiple, net assets or discounted cash flows, as appropriate, based on the nature and circumstances of the investment.

Financial liabilities

Trade creditors

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

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

Borrowings

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

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

Derecognition of financial assets and liabilities

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

VALUE ADDED TAX

Bield is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation.

Consequently little VAT paid is recoverable and expenditure is therefore shown inclusive of VAT. Any VAT recovered is offset against operating costs.

INVESTMENTS

Investment income is brought into account when due and receivable. Investments are stated at market value. Unrealised gains or losses on valuation are reflected through the Statement of Changes in Reserves and disclosed in the Revaluation Reserve.

OPERATING LEASE RENTALS

Operating lease rentals are charged on a straight-line basis over the term of the lease.

DEPOSITS AND LIQUID RESOURCES

Cash 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 value.

SHARED OWNERSHIP

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. Proceeds from first tranche disposals of shared ownership properties are accounted for in the Statement of Comprehensive Income of the period in which the disposal occurs and are recognised as Turnover. The cost of disposal of first tranche disposals is included within Operating Costs. The first tranche element of any unsold properties is shown as a current asset within stock.

PROVISIONS

Provisions are recognised when Bield has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Notes to the Financial Statements (continued)

2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Notes	Turnover £'000	Operating Costs £'000	2016 Operating Surplus/ (Deficit) £'000	2015 Operating Surplus/ (Deficit) £'000
Affordable Letting activities	3	38,348	(35,862)	2,486	2,793
Other Activities	4	11,781	(11,636)	145	(792)
Total		50,129	(47,498)	2,631	2,001
Total for previous reporting period		45,709	(43,708)	2,001	

3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities

	General Needs Social Housing £'000	Supported Social Housing Accommodation £'000	Registered Care £'000	Shared Ownership Housing £'000	Total 2016 £'000	Total 2015 £'000
Rent Receivable Net of Service Charges	475	14,906	6,629	484	22,494	21,285
Service Charges	56	13,442	–	436	13,934	13,712
Gross Income from Rents and Service Charges	531	28,348	6,629	920	36,428	34,997
Less voids	(14)	(927)	(359)	(30)	(1,330)	(1,346)
Net Income from Rents and Service Charges	517	27,421	6,270	890	35,098	33,651
Grants released from deferred income	–	2,892	186	94	3,172	3,157
Revenue grants from Scottish Ministers	–	–	78	–	78	42
Total turnover from affordable letting activities	517	30,313	6,534	984	38,348	36,850
Management and maintenance administration costs	(114)	(6,653)	(350)	(216)	(7,333)	(7,191)
Service Costs	–	(10,195)	(5,587)	(331)	(16,113)	(15,279)
Planned and Cyclical maintenance including Major Repairs Costs	–	(3,416)	(184)	(111)	(3,711)	(3,108)
Reactive Maintenance Costs	–	(2,421)	(193)	(79)	(2,693)	(2,748)
Bad debts – rents and service charges	(6)	(133)	(12)	(4)	(155)	(49)
Depreciation of affordable let properties	–	(5,458)	(222)	(177)	(5,857)	(5,473)
Impairment of affordable let properties	–	–	–	–	–	(209)
Operating Costs for affordable letting activities	(120)	(28,276)	(6,548)	(918)	(35,862)	(34,057)
Operating surplus or deficit for affordable letting activities	397	2,037	(14)	66	2,486	2,793
Operating surplus or deficit for affordable letting activities for previous reporting period	266	2,494	(12)	45	2,793	

Notes to the Financial Statements (continued)

4. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs: Bad Debts £'000	Other Operating Costs £'000	Operating Surplus or Deficit £'000	Operating Surplus or Deficit for previous reporting period £'000
Support Activities	–	–	1,765	–	1,765	–	(2,056)	(291)	(162)
Care Activities	–	3,111	107	645	3,863	(11)	(4,077)	(225)	(371)
Community alarm, letting of communal facilities	–	–	24	1,764	1,788	4	(1,782)	10	105
Contracted out services undertaken for other organisations	–	–	–	763	763	–	(349)	414	519
Business development activities	–	–	–	–	–	–	(507)	(507)	(883)
First tranche shared ownership sales	–	–	–	3,602	3,602	–	(2,858)	744	–
Total from other activities	–	3,111	1,896	6,774	11,781	(7)	(11,629)	145	(792)
Total from other activities for the previous reporting period	–	3,536	2,262	3,061	8,859	(1)	(9,650)	(792)	

Included within community alarm is income of £421k (2015: £435k) in respect of BR24.

Included within business development activities are marketing costs of £223k (2015: £288k)

The Accounting Determination includes additional information lines to that shown in notes 3 and 4 above.

The Board do not feel that any additional information is required with regard to these notes.

5. Units under development and in management

	Units Under Development		Units In Management	
	2016 Units	2015 Units	2016 Units	2015 Units
Housing accommodation for letting				
General Needs Housing	–	–	108	104
Supported Housing:				
Sheltered/Very Sheltered/Amenity/Retirement	40	–	4,263	4,266
Care	–	–	187	183
	40	–	4,558	4,553
Shared Ownership				
	58	98	134	95
Private housing under management:				
Wholly owned	–	–	824	719
Agency	–	–	52	65
	–	–	876	784
Total units under development and in management	98	98	5,568	5,432

6. Interest receivable and similar income

	2016 £'000	2015 £'000
Interest on bank deposits	7	5
Income from listed investments	177	250
	184	255

7. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest arising on:		
Bank loans and overdrafts	150	218
Defined benefit pension charge	156	252
	306	470

Notes to the Financial Statements (continued)

8. Operating surplus or deficit

	2016 £'000	2015 £'000
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	5,857	5,476
Depreciation of other tangible fixed assets (note 11.B)		
- owned	685	745
Impairment of housing properties	-	209
(Surplus)/deficit on disposal of tangible fixed assets (note 9)	(80)	40
Operating lease rentals	145	137
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
	2016 £'000	2015 £'000
Audit services – statutory audit of the Association	21	22
Other services	1	-
	22	22

9. Surplus or deficit on disposal of fixed assets

	2016 £'000	2015 £'000
Motor Vehicles: gain on sale	2	33
Housing Property: sale proceeds	-	182
Less HAG Repaid	-	(26)
Less: Net Book Value	-	(17)
Housing Properties: (loss)/gain on disposal	-	139
Disposal of Housing Properties Components	(82)	(132)
Investments: (loss)/gain on disposal	1,530	2,097
	1,450	2,137

The components disposal arose due to the earlier than scheduled replacement of some items.

10. Employees

	2016 No.	2015 No.
The average monthly number of full-time equivalent persons employed by the Association (including Directors) during the year was:		
Office and management/Administration	188	188
Scheme based staff	618	626
	806	814
	2016 £'000	2015 £'000
Staff costs for the above persons:		
Wages and salaries	19,305	18,842
Social security costs	1,232	1,183
Pension costs	1,708	1,626
Redundancy payments	70	208
	22,315	21,859
<p>The Directors (Key Management Personnel) are defined as the members of the Board of Management, the Chief Executive and any other member of the Senior Management Team. No emoluments were paid to any member of the Board of Management during the year.</p>		
<p>The number of Directors who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:</p>		
	Number	Number
£60,001 to £70,000	–	–
£70,001 to £80,000	4	5
£80,001 to £90,000	–	–
£90,001 to £100,000	–	1
£100,001 to £110,000	1	–
	5	6
	2016 £'000	2015 £'000
Aggregate emoluments for the above Directors (excluding pension contributions and including benefits in kind)	481	463
The emoluments for the Chief Executive (excluding pension contributions)	104	99
Aggregate pension contributions in relation to the above Directors	70	74
The pension contributions for the Chief Executive	22	20
<p>Total expenses reimbursed to Directors and to Board of Management members insofar not chargeable to Income Tax were £8,358 (2014/15: £8,391).</p>		
<p>No loans were made to Board members, officers or employees during the year.</p>		

Notes to the Financial Statements (continued)

11A. Tangible Fixed Assets – Housing Properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Shared ownership housing properties under construction £'000	Total housing properties £'000
Cost:					
1 April 2015	220,317	11	2,360	4,757	227,445
Additions	510	37	61	1,874	2,482
Works to existing properties	3,350	–	–	–	3,350
Disposals	(1,457)	–	–	–	(1,457)
Transfers to properties for sale	–	–	–	(2,892)	(2,892)
Schemes completed	–	–	1,652	(1,652)	–
31 March 2016	222,720	48	4,073	2,086	228,927
Depreciation and impairment:					
1 April 2015	(93,701)	–	(776)	–	(94,477)
Depreciation charged in year	(5,797)	–	(60)	–	(5,857)
Released on disposal	1,209	–	–	–	1,209
Transfers	–	–	–	–	–
31 March 2016	(98,289)	–	(836)	–	(99,125)
Net book value					
31 March 2016	124,431	48	3,237	2,086	129,802
31 March 2015	126,616	11	1,584	4,757	132,968
Expenditure on works to existing properties					
				2016	2015
				£'000	£'000
Improvement work capitalised				–	–
Replacement component spend capitalised				3,350	3,725
Amounts charged to income and expenditure				3,711	3,108
Total major repairs spend				7,061	6,833

Bield considers each development to be a separate cash generating unit when assessing for impairment, in accordance with SORP 2014.

During the year, Bield has not recognised any impairment loss (2015: £0.2m).

11B. Tangible Fixed Assets – Other

	Freehold property £'000	Computers and Office Equipment £'000	Furniture fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost:					
1 April 2015	7,612	4,855	269	402	13,138
Additions	–	297	–	–	297
Disposals	–	(1,064)	–	(40)	(1,104)
31 March 2016	7,612	4,088	269	362	12,331
Depreciation and impairment:					
1 April 2015	(1,227)	(3,673)	(231)	(402)	(5,533)
Depreciation charged in year	(144)	(527)	(14)	–	(685)
Released on disposal	–	1,064	–	40	1,104
31 March 2016	(1,371)	(3,136)	(245)	(362)	(5,114)
Net book value					
31 March 2016	6,241	952	24	–	7,217
31 March 2015	6,385	1,182	38	–	7,605

Notes to the Financial Statements (continued)

12. Fixed Asset Investments

	2016 £'000	2015 £'000
Valuation at 1 April 2015	9,984	13,182
Disposal book cost in year	(1,190)	(1,799)
Additions in year at cost	2	2
Net realised gain in year	(1,530)	(2,097)
Unrealised gain/(loss) in year	(133)	696
Valuation at 31 March 2016	7,133	9,984
Cash	243	321
Valuation at 31 March 2016	7,376	10,305
Representing:		
	Valuation 2016 £'000	Valuation 2015 £'000
UK Listed Investments:		
Fixed interest stocks redeemable after 1 year:		
Other loan stocks	1,393	2,031
Unit and Investment trusts	5,740	7,953
Cash	243	321
Total UK Listed Investments at 31 March 2016	7,376	10,305
Investment Holdings which are over 5% of the Portfolio Value are:		
No. of Shares Held	Description	Market Value £'000
1,099,822	Baillie Gifford Managed Fund B Income	5,740
1,728,072	Baillie Gifford Corporate Bond Fund B Income	1,393
		<u>7,133</u>

13. Properties for sale

	2016 £'000	2015 £'000
Shared ownership properties	45	192
Completed properties	2,209	–
Work in progress	2,892	1,770
Properties for outright sale	–	–
	5,146	1,962

14. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Rent and service charges receivable	1,411	1,105
Less: provision for bad and doubtful debts	(303)	(213)
	1,108	892
Other debtors	692	645
Prepayments and accrued income	344	263
	2,144	1,800
The amount of debtors held at amortised cost is £nil.		

15. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Debt (note 18)	590	553
Rent and service charges received in advance	374	370
Other grants received in advance	18	206
Deferred capital grants (note 17)	3,140	3,342
Trade creditors	3,485	2,698
Other taxation and social security costs	354	337
Other creditors	391	400
Accruals and deferred income	2,038	1,748
	10,390	9,654
The amount of creditors held at amortised cost is £nil.		

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

	2016 £'000	2015 £'000
Debt (note 18)	2,908	3,498
Deferred capital grant (note 17)	72,360	74,484
	75,268	77,982

Notes to the Financial Statements (continued)

17. Deferred capital grant

	2016 £'000	2015 £'000
As at 1 April 2015	77,826	80,353
Grant received in the year	1,016	630
Capital grant abated	(170)	–
Capital grant released	(3,172)	(3,157)
As at 31 March 2016	75,500	77,826
Amounts to be released within one year	3,140	3,342
Amounts to be released in more than one year	72,360	74,484
	75,500	77,826

18. Debt analysis - borrowings

	2016 £'000	2015 £'000
Being loans falling due:		
- within one year	590	553
- after more than one year	2,908	3,498
	3,498	4,051
Based on the lender's earliest repayment date, borrowings are repayable as follows:		
Due within one year	590	553
Due in one year or more but less than two years	515	590
Due between two and five years	1,513	1,886
Due in more than five years	880	1,022
	3,498	4,051
Bank loans:		
Fixed Rate	2,281	2,721
Variable Rate	1,217	1,330
	3,498	4,051
Average interest rates for year		
- fixed	5.27%	7.04%
- variable	1.44%	2.01%
- overall	3.98%	5.39%

19. Provisions

	SHPS Pension £'000	Growth Plan £'000	Total £'000
1 April 2014	8,678	141	8,819
Utilised in the year	(885)	(15)	(900)
Additional provision in year	–	–	–
Unwinding of discount	248	4	252
Increase due to change in discount rate	419	5	424
31 March 2015	8,460	135	8,595
1 April 2015	8,460	135	8,595
Utilised in the year	(921)	(16)	(937)
Additional provision in year	3,575	21	3,596
Unwinding of discount	154	2	156
Decrease due to change in discount rate	(71)	(2)	(73)
31 March 2016	11,197	140	11,337

The provisions represent the net present value of the commitment to the multi-employer pension schemes in respect of past deficits.

20. Share Capital & Reserves

Each member of Bield holds one share of £1 in Bield. 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 Bield. Each member has a right to vote at members' meetings.

	2016 Number	2015 Number
Number of members		
1 April 2015	110	134
Joined during the year	4	6
Left during year	(19)	(30)
31 March 2016	95	110

Notes to the Financial Statements (continued)

21. Reconciliation of surplus to net cash generated from/(used in) operations

	2016 £'000	2015 £'000
Surplus for the year	436	3,498
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	6,542	6,218
Impairment losses on tangible fixed assets	–	209
Defined benefit pension schemes	2,743	(225)
Increase/(decrease) in provisions	(2,124)	(2,884)
(Gain)/loss on disposal of tangible fixed assets	(1,450)	(2,137)
Interest receivable	(184)	(255)
Interest payable	306	470
Operating cash flows before movements in working capital	6,269	4,894
Decrease/(increase) in trade and other debtors	(345)	326
Increase/(decrease) in trade and other creditors	706	959
Cash generated from/(used in) operations	6,630	6,179

22. Capital commitments and other contractual obligations

	2016 £'000	2015 £'000
Capital expenditure contracted for but not provided in the financial statements	10,712	10,856

23. Commitments under operating leases

The total future minimum payments under non-cancellable operating leases are as follows:		
	2016 £'000	2015 £'000
Amounts due:		
Within one year	40	16
Between one and five years	99	126
	139	142

24. Retirement Benefits – SHPS Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit Contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

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

Present values of provision

	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of provision	11,197	8,460	8,678

Notes to the Financial Statements (continued)

Reconciliation of Opening and Closing Provisions

	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Provision at start of period	8,460	8,678
Unwinding of the discount factor (interest expense)	154	248
Deficit contribution paid	(921)	(885)
Remeasurements – impact of any change in assumptions	(71)	419
Remeasurements – amendments to the contribution schedule	3,575	–
Provision at end of period	<u>11,197</u>	<u>8,460</u>

Income and Expenditure Impact

	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Interest expense	154	248
Remeasurements – impact of any change in assumptions	(71)	419
Remeasurements – amendments to the contribution schedule	3,575	–

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	<u>2.06</u>	<u>1.92</u>	<u>3.02</u>

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

25. Retirement Benefits – Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit Contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1 April)
-------------------------------------	--

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit Contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

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

Present values of provision

	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of provision	139	134	141

Notes to the Financial Statements (continued)

Reconciliation of opening and closing provisions

	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Provision at start of period	135	141
Unwinding of the discount factor (interest expense)	2	4
Deficit contribution paid	(16)	(15)
Remeasurements – impact of any change in assumptions	(2)	5
Remeasurements – amendments to the contribution schedule	21	–
Provision at end of period	<u>140</u>	<u>135</u>

Income and expenditure impact

	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Interest expense	2	4
Remeasurements – impact of any change in assumptions	(2)	5
Remeasurements – amendments to the contribution schedule	21	–

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	<u>2.07</u>	<u>1.74</u>	<u>2.82</u>

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

26. Contingent Liabilities

At 31 March 2016, the Board of Management was not aware of any contingent liabilities (2015: £nil) with the exception of those referred to in the pension notes 24 and 25 and none has emerged since.

27. Related Party Transactions

- (i) Two members of the Board of Management held a tenancy with Bield during the year. All tenancies were Scottish secure tenancies and were granted under Bield's allocations policy, with rent under normal terms. During the year £12,268 (2015: £11,980) of rent was receivable from these tenant members. At the year end there was £nil (2015: £nil) of arrears due from these tenant members. Any amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2015: £nil) in respect of bad debts from related parties.
- (ii) Bield holds £842,405 (2015: £913,609) in trust for developments relating to owner occupiers.

28. Post Balance Sheet Events

In May 2016, the gross value of £1.5m of investments was sold.

29. First Time Adoption of FRS102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure and its individual components (excluding land) on a pro-rata basis.

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

C – SHPS Pension Scheme

Bield participates in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £10.2m.

Under FRS102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, management of liquid resources and financing.

Notes to the Financial Statements (continued)

Reconciliation of Reserves

	Notes	1 April 2014 £'000	31 March 2015 £'000
Reserves as previously reported under UK GAAP		63,615	65,357
Grant Accounting	A	66,757	69,914
Depreciation	B	(64,463)	(67,489)
SHPS Pension	C	(8,819)	(8,595)
Reserves reported under FRS 102		57,090	59,187

Reconciliation of Surplus

	Notes	Year Ended 31 March 2015 £'000
Surplus as previously reported under UK GAAP		3,143
Grant Accounting	A	3,157
Depreciation	B	(3,026)
SHPS Pension	C	224
Surplus reported under FRS 102		3,498

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