

**THE AGED CHRISTIAN FRIEND
SOCIETY OF SCOTLAND**

**DIRECTORS' ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Charity Number: SC016247
Company Registration No: SC238297**

THURSDAY



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06/09/2018 #18
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**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

CONTENTS

Directors' Annual Report	1
Statement of Directors' Responsibilities.....	5
Independent Auditor's Report to the Members.....	6
Statement of Financial Activities	9
Balance Sheet.....	10
Statement of Cash Flows.....	11
Notes to the Financial Statements.....	12

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

DIRECTORS' ANNUAL REPORT

Objectives and Activities

The objects of the company are of a charitable nature, specifically to prevent or relieve poverty, and to provide relief for those in need by reason of age, ill-health, disability, financial hardship or other disadvantage. The company may support any individuals resident in Scotland (and any individuals who are not resident but have a connection with Scotland) through the provision of retirement housing and related amenities for the benefit of those individuals, and the company may award grants and other forms of payment to such individuals. In order to be eligible for the support of the company an individual shall normally be 65 years of age or older, although the company may support individuals who have not attained 65 years of age if the individuals meet the other criteria set out and if the directors feel it is appropriate in the circumstances for support to be provided. The Society provides a small number of pensions in Scotland, but its principal activity is the provision of retirement housing at the Colinton Cottage Homes, Colinton, Edinburgh.

Grant Making Policy

Grants are given in the form of pensions. These are distributed half-yearly to the two remaining long-standing beneficiaries at the rate of £500 per annum. Additionally, the directors appointed Elizabeth Finn Care (trading name Turn2us) in 2012 to identify further beneficiaries all of which receive £500 per annum.

Achievements and Performance

The Society has had another very satisfactory year. There has been one change to the Board in 2017 with the appointment of Rev Nicola McNelly during the year and two since the year end with the appointment of John Cameron and the resignation of Lindsay Robertson. The Board would like to thank Lindsay for her contribution to the successful running of the Society during her time with us.

Throughout the year, the day to day management of Colinton Cottage Homes has been in the hands of our manager John Buchanan who has set high professional standards in ensuring the smooth running of the complex. He has been well supported by his assistant manager Denise Wood. The grounds and gardens have also been maintained in good order by our gardener and handyman Ian Smith aided when required by John Wright. They are all held in high regard by our tenants and the directors would like to express their appreciation of the work of our manager and his team over the last twelve months.

This has been another busy year of social activities organized by the social committee and enjoyed by the tenants at Colinton Cottage Homes. The hall was well used throughout the year starting on 1st January with a New Year celebration and later on in the month an enjoyable Burns lunch took place. In February, Shrove Tuesday was celebrated with pancakes in the hall. Other highlights included a chippy tea and musical entertainment in both March and October. The festive season saw the traditional Directors Christmas lunch being enjoyed by a large group of tenants, a Christmas concert and a Christmas party. There were also the regular activities which take place throughout most of the year in the hall including whist, knit and natter, keep fit, a ladies club and a newly constituted men's club. There were a number of external outings including the annual daffodil walk in April, a day excursion to Perth and a Dunfermline Glen trip in June. In October a number of tenants went to Dunbar for afternoon tea and there was a Christmas shopping trip to Livingston in December.

Grants continue to be paid half yearly to a number of people meeting our eligibility criteria and would benefit from some additional financial support.

The financial situation has shown another year of improvement with income from donations and legacies, charitable activities and investments rising from £300,295 to

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

DIRECTORS' ANNUAL REPORT (cont'd)

Achievements and Performance (cont'd)

£350,968 reflecting good occupancy levels and a growth in dividend income. This has allowed the Board to continue to invest significant sums in the properties at Colinton Cottage Homes with the amount spent on upkeep, repairs and cleaning rising from £87,740 to £91,488. This is very much part of the Board's ongoing plan to maintain our accommodation at a high standard and in 2018 there is likely to be considerable additional expenditure undertaken on replacing some of the older boilers. Largely due to a net gain on the Society's investments, of £131,179, net income increased from £159,238 in 2016 to £189,108 in 2017.

The Balance Sheet as at 31 December 2017 remains in a strong position with net assets having increased by £189,154 to £6,924,722 reflecting the higher value of the investments at the year end £1,570,241 (2016: £1,448,380) and a reduced provision for the staff pension liability of £32,455 (2016: £39,819).

Investment performance of the portfolio which is managed by Rathbone Investment Management Limited is monitored on a quarterly basis and is measured against an agreed benchmark. The Directors remain satisfied with the performance.

Throughout the year, day to day Secretarial and Treasurer duties of the Society are carried out by our Secretaries and Treasurers, Johnston Smillie Ltd. We would like to thank them for their work and to record our appreciation of the attention they give to matters relating to the Society.

Finally, the Board would like to thank Colinton Parish Church and St Cuthbert's Church for their support given to the society and its tenants over the last twelve months.

Financial Review

The Society had an operating surplus of £57,929 for the year (2016: £27,002). After accounting for an unrealised gain on investments of £131,179 (2016: £132,236) there was a net surplus of £189,108 (2016: £159,238).

The market value of the investments at the year-end was £1,570,241 (2016: £1,448,380).

It should be noted that the Defined benefit pension scheme liability has been included in the balance sheet as a result of accounting in accordance with SORP 2015 FRS102. The liability is £32,455 in 2017 (£39,819 in 2016).

The funds are all unrestricted and they showed an increase from £6,735,568 to £6,924,722 as a result of the operating surplus, investment gains and movement in the defined benefit pension scheme liability.

Reserves Policy

The Directors review the need for a reserves policy on a regular basis to ensure that the charity can continue to provide relief through the provision of retirement housing and related amenities, and to award grants and other forms of payment. Funds at the 31 December 2017 were £6,924,722. Of this £5,241,612 was held in assets used by the organisation and its beneficiaries and £1,570,241 in investments used to generate regular income and help ensure longevity of the organisation. Following the most recent review the Directors have decided to retain free reserves to meet the costs of its charitable activities and contractual obligations for a period of approx. 6 months. As of the 31 December 2017 this would amount to £147,000. The free reserves can also be used to provide for unforeseen operational costs and repairs bills. Shortfalls in revenues due to a decline in investment income or rentals or any other eventualities that require funding can also be met from reserves or sourced from unrestricted capital funds. The free reserves

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

DIRECTORS' ANNUAL REPORT (cont'd)

Reserves Policy (cont'd)

are the net current assets of the charity and at the 31 December 2017 these were £145,324 which is in line with this policy.

Risk Policy

The directors have assessed the risks to which the Society is exposed, in particular those related to the operations and future of the Society, and are satisfied that systems are in place to mitigate exposure to major risks. The directors consider variability of investment returns as one of the major risks, and therefore the Society used the services of Rathbone Investment Management during the year as investment advisers. The investment policy is designed to produce growth in both capital and income with a medium risk profile. The directors additionally engaged the services of Spence & Partners as advisers in the matter of staff pensions.

Future Plans

The Society plans to continue to provide retirement housing and pensions in line with its objectives. There is an ongoing plan to continue to upgrade and maintain the houses to the existing high standard.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Incorporation of the Society

The company 'The Aged Christian Friend Society of Scotland', founded as a Friendly Society on 20 December 1889 was incorporated in Scotland and registered on 17 October 2002 as a Private Company Limited by Guarantee (Registration No. SC238297). On 1 January 2003 all the assets and liabilities of the original Friendly Society were transferred to the new company (hereinafter referred to as "the Society"). The Society's governing documents are the Memorandum and Articles of Association.

Directors' meetings and appointment

New directors are appointed by the existing directors, and are briefed on the Society's aims, objectives, grant making policy and purposes.

At the quarterly directors' meeting, the directors agree the broad strategy and areas of activity for the Society, including budgets, consideration of grant making, investment, reserves and risk management policies and performance. Reports are received from the Manager (not a formal director) of the Cottage Homes regarding the day to day running of the Homes, and regarding the fabric of the buildings. The remuneration of the manager is set by the Directors as part of an annual review process.

Lindsay Robertson resigned on the 21.2.2018.

Rev'd Nicola McNelly was appointed on 24.11.2017 and John Cameron was appointed on 21.2.2018.

There is also a Finance Committee which again reports to the Board of Directors and considers all financial, including investment, matters.

The Society confirms that it has directors and officers indemnity insurance in place.

Auditors

The directors have re-appointed Scott-Moncrieff CA as auditors for the ensuing year.

Share Capital

The Society is a private company limited by guarantee and is without share capital.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

DIRECTORS' ANNUAL REPORT (cont'd)

Reference and Administration Information

Company Registration no:	SC238297
Scottish Charity Number	SC016247
Registered Office, Secretaries and Treasurers	Johnston Smillie Ltd Chartered Accountants 6 Redheughs Rigg Edinburgh EH12 9DQ
Directors	Mr Alan J Black (Chairman) Ms Hilary Peppiette Dr Kenneth Sutherland Mrs Margaret Baxendine Mr Paul Davies Mrs Lindsay Robertson (resigned 21.2.18) Mr Jason Rust Mrs Gwen Baird Revd Nicola McNelly (appointed 24.11.17) Mr John Cameron (appointed 21.2.18)
Manager	Mr John Buchanan
Auditor	Scott-Moncrieff Chartered Accountants Exchange Place 3 Semple Street Edinburgh EH3 8BL
Bankers	Bank of Scotland plc PO Box 1000 BX2 1LB
Solicitors	Balfour + Manson 54-66 Frederick Street Edinburgh EH2 1LS
Investment Advisors	Rathbone Investment Management Ltd 28 St Andrew Square Edinburgh EH2 1AF

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

DIRECTORS' ANNUAL REPORT (cont'd)

Disclosure of Information to Auditor

As far as each of the directors at the time of the report is approved are aware:

- There is no relevant information of which the Society's auditor is unaware and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Small Company Exemptions

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Statement of Directors' Responsibilities

The directors (who are also trustees for the purposes of charity law) are responsible for preparing the Directors' Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the incoming resources and application of resources, including the income and expenditure of the Society for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Memorandum and Articles of Association of the company. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Approved by the board on 22.8.2018

And signed on behalf of the board by



Alan J Black
Chairman

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS

Opinion

We have audited the financial statements of The Aged Christian Friend Society of Scotland (the charitable company) for the year ended 31 December 2017 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

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

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

The Aged Christian Friend Society of Scotland For the Year Ended 31 December 2017

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Directors' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors (who are the directors for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's directors, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the charitable company's members, as a body, and the charitable company's directors, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members, as a body, and the charitable company's directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Harkness

Michael Harkness, Senior Statutory Auditor

For and on behalf of

Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

Exchange Place 3

Seample Street

Edinburgh

EH3 8BL

Date.....*22 August 2018*

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

**STATEMENT OF FINANCIAL ACTIVITIES
(Including Income & Expenditure Account)**

	Note	Total Funds 2017 £	Total Funds 2016 £
Income and Endowments from:			
Donations and legacies	4	19,264	8,425
Charitable activities	5	243,691	238,355
Investments	6	<u>88,013</u>	<u>53,515</u>
Total		<u>350,968</u>	<u>300,295</u>
Expenditure on:			
Raising funds	7	9,985	9,118
Charitable activities	7	282,660	261,584
Other	7	<u>394</u>	<u>2,591</u>
Total		<u>293,039</u>	<u>273,293</u>
Net gains on investments		<u>131,179</u>	<u>132,236</u>
Net income		<u>189,108</u>	<u>159,238</u>
Other recognised gains/(losses):			
Actuarial gains on defined benefit pension scheme	17	<u>46</u>	<u>53,791</u>
Net movement in funds		189,154	213,029
Reconciliation of funds:			
Total funds brought forward		<u>6,735,568</u>	<u>6,522,539</u>
Total funds carried forward	20	<u><u>6,924,722</u></u>	<u><u>6,735,568</u></u>

The notes on pages 12 to 23 form part of these financial statements.

All funds of the Society are unrestricted and all the results of the Society relate to continuing activities.


**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

**BALANCE SHEET
As at 31 December 2017**

	Note	2017 £	2016 £
Fixed Assets			
Heritable property	11	5,200,000	5,200,000
Other fixed assets	11	<u>41,612</u>	<u>15,942</u>
		<u>5,241,612</u>	<u>5,215,942</u>
Fixed Asset Investments			
Investments at market value	12	<u>1,570,241</u>	<u>1,448,380</u>
Current Assets			
Sundry Debtors	13	8,280	6,678
Cash at bank		153,619	135,405
Cash in hand		<u>611</u>	<u>257</u>
		<u>162,510</u>	<u>142,340</u>
Creditors			
Amounts falling due within one year	14	<u>17,186</u>	<u>31,275</u>
Net Current Assets		<u>145,324</u>	<u>111,065</u>
Total Assets less current liabilities		6,957,177	6,775,387
Defined benefit pension scheme liability	17	<u>32,455</u>	<u>39,819</u>
Net Assets		<u><u>6,924,722</u></u>	<u><u>6,735,568</u></u>
Represented by:			
Unrestricted funds	20	<u><u>6,924,722</u></u>	<u><u>6,735,568</u></u>

These accounts have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Board on the 22.8.2018 and signed on behalf of the board by;


..... Alan J Black
Chairman

The notes on pages 12 to 23 form part of these financial statements.

Registered Company Number: SC238297

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

STATEMENT OF CASH FLOWS

	Note	Total Funds 2017 £	Total Funds 2016 £
Cash flows from operating activities:			
Net cash used in operating activities	21	<u>(45,749)</u>	<u>(13,249)</u>
Cash flows from investing activities:			
Interest and dividends		88,013	53,515
Proceeds from sale of investments		353,262	130,869
Purchase of investments		(225,618)	(119,341)
Purchase of Property, Plant and Equipment		<u>(33,014)</u>	<u>-</u>
Net cash provided by investing activities		<u>182,643</u>	<u>65,043</u>
Change in cash and cash equivalents in the year		<u>136,894</u>	<u>51,794</u>
Cash and cash equivalents brought forward		<u>165,660</u>	<u>113,866</u>
Cash and cash equivalents carried forward	22	<u>302,554</u>	<u>165,660</u>

The notes on pages 12 to 23 form part of these accounts.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Aged Christian Friend Society of Scotland is a private company limited by guarantee. The contribution of the members is restricted to a maximum of £1. The company is registered in Scotland with registration number SC238297. The registered office is c/o Johnston Smillie, 6 Redheughs Rigg, Edinburgh, EH12 9DQ.

a) Basis of Accounting

The financial statements have been prepared under the historical costs convention with items recognised at cost or transaction value unless otherwise stated in the relevant note to these accounts. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing accounts in accordance with the Financial Reporting Standards applicable in UK and Republic of Ireland (FRS102) – (Charities SORP (FRS 102), the Financial Reporting Standard applicable in UK and Republic of Ireland (FRS102), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Charity constitutes a public benefit entity as defined by FRS102.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

The Directors consider that there are no material uncertainties about the charity's ability to continue as a going concern.

b) Incoming Resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest which are measured at fair value, generally the transaction value. These are included when receivable and the amount can be measured reliably.

c) Debtors

Short term debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balance with banks and cash balance with investment manager repayable without penalty on notice of not more than 24 hours.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Accounting Policies (cont'd)

e) Resources Expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. They are recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the investment management fee
- Expenditure on charitable activities which include all support and governance costs.
- The charity considers that they have only one charitable activity and therefore no allocation of support costs is required.
- Other expenditure represents the interest on the unwinding of the pension deficit discount.

f) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

g) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial asset are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Accounting Policies (cont'd)

h) VAT

The Society is not registered for VAT and accordingly expenditure includes VAT where appropriate.

i) Fixed Assets and Depreciation

All fixed assets are initially recorded at cost. Cost includes costs directly attributable to making the asset capable of operating as intended.

The Society's policy is to capitalise all fixed assets with a value greater than £500.

The rates of depreciation are calculated so as to write off the cost less residual value of each asset evenly over its expected useful life as follows:

Plant & Equipment	-15% Reducing balance
Furniture	-15% Reducing balance

Depreciation is not provided on heritable properties. This treatment is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

j) Staff Pension Scheme

The charitable society contributed to a defined benefit pension scheme until 30 September 2013. This scheme is a multi employer scheme. The charitable society is unable to identify its share of the schemes assets and liabilities and thus, under FRS 102, has accounted for the scheme as a defined contribution scheme. 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 note 17. The unwinding of the discount rate is recognised as a finance cost.

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.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Accounting Policies (cont'd)

j) Staff Pension Scheme (cont'd)

As this is a multi-employer scheme which provides benefits to some 155 non-associated employers the directors consider it highly improbable that such a liability will ever fall to the Society.

From 1 October 2013, the Society contributes to a defined contribution multi-employer pension scheme. Contributions to the scheme are charged to the Statement of Financial Activities in the year in which they become payable.

k) Investments

Investments within the accounts are recognised at fair value which in this case is at market value. All realised and unrealised gains on disposals are added to the Unrestricted Fund. The shares were acquired in accordance with the powers given to the directors in the Articles of Association and are all quoted on the UK Stock Exchange with the exception of the shares in Edinburgh Crematorium Ltd which are unquoted.

l) Heritable property

Heritable properties are included in the balance sheet at their open market value, the valuation is considered by the directors each year and is professionally valued once every five years.

2. Unrestricted Funds

The Fund consists of cottages providing sheltered housing for men and women, together with investments and bank deposits which provide for the upkeep and maintenance of the cottages and the payment of pensions and the general administration of the Society.

3. Pensions

Pensions are grants awarded to individuals and are recognised upon award, which is normally upon payment.

Pensions were paid at the rate of £500 per annum.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Unrestricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Analysis of Income			
4. Donations and legacies			
Donations	10,300	10,300	8,425
Legacies	<u>8,964</u>	<u>8,964</u>	<u>-</u>
	19,264	19,264	8,425
5. Income from Charitable Activities			
Rents and charges	<u>243,691</u>	<u>243,691</u>	<u>238,355</u>
6. Investment Income			
Dividends and interest	<u>88,013</u>	<u>88,013</u>	<u>53,515</u>
Total	<u>350,968</u>	<u>350,968</u>	<u>300,295</u>
7. Analysis of Expenditure			
Raising Funds			
Investment management costs	<u>9,985</u>	<u>9,985</u>	<u>9,118</u>
Cost of Charitable Activities			
Remuneration costs	77,414	77,414	70,657
Garden upkeep	1,397	1,397	1,110
Property upkeep, repairs and cleaning	91,488	91,488	87,740
Telephone & computer costs	6,068	6,068	6,062
Heat, light & power	31,494	31,494	31,607
Rates and insurance	15,188	15,188	13,989
Depreciation	7,344	7,344	2,813
Pension granted	4,750	4,750	2,095
Printing, postage & stationery	2,003	2,003	2,176
Secretarial fees and expenses	36,353	36,353	35,640
Sundries	2,836	2,836	2,058
Audit fee	3,551	3,551	3,581
Professional fees	<u>2,774</u>	<u>2,774</u>	<u>2,056</u>
	<u>282,660</u>	<u>282,660</u>	<u>261,584</u>
Other			
Interest on unwinding of pension discount	<u>394</u>	<u>394</u>	<u>2,591</u>
Total	<u>293,039</u>	<u>293,039</u>	<u>273,293</u>

All expenditure relates to the one charitable activity of the society, that of relieving the needs of the elderly.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. Audit and Accountancy Fees

	2017	2016
	£	£
Audit Fees	3,551	3,581

No other services have been provided by the auditor during the year (2016: none).

9. Staff Numbers and Costs

The average number of staff employed during the year was 3 (2016: 3) and the total cost of their remuneration was £77,414 including the holiday pay accrual (2016: £70,657) as detailed below:

	2017	2016
	£	£
Wages and Salaries	70,546	63,082
Social Security Costs	2,724	1,811
Employer's Pension Contributions	4,144	5,764
	<u>77,414</u>	<u>70,657</u>

No employee, in either year, received emoluments of more than £60,000.

The directors consider the manager to be "key management personnel". The manager's remuneration was £35,384 (2016: £32,459) which included employer's pension contributions of £1,823 (2016: £1,760).

10. Related Party Transactions

The directors received no remuneration or reimbursement of expenses (2016: £nil).

11. Fixed Assets

Heritable Property	2017	2016
	£	£
Valuation at 31 December 2017 and 31 December 2016	<u>5,200,000</u>	<u>5,200,000</u>
Historical cost at 31 December 2017 and 31 December 2016	<u>2,459,995</u>	<u>2,459,995</u>

The properties were valued on 31 December 2013 by Mark Atkinson BA MRICS. This resulted in a revaluation surplus of £400,000. In line with the policy on fixed assets, the property is revalued every five years and has therefore not been revalued in the year to 31 December 2017. The directors have considered the valuation and have no reason to think it would be materially different.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. Fixed Assets (Cont'd)

Tangible fixed assets

	Plant £	Fixtures £	Total £
Cost			
At 1 January 2017	45,415	5,795	51,210
Additions	33,014	-	33,014
At 31 December 2017	78,429	5,795	84,224
Depreciation			
At 1 January 2017	31,583	3,685	35,268
Charge for the year	7,027	317	7,344
At 31 December 2017	38,610	4,002	42,612
Net book value			
At 31 December 2017	39,819	1,793	41,612
At 31 December 2016	13,832	2,110	15,942

12. Investments

	2017 £	2016 £
Market value, excluding cash, at 31 Dec 16 and 31 Dec 15	1,418,382	1,297,675
Acquisitions at cost	225,618	119,341
Disposals at open market value	(345,046)	(143,571)
Unrealised gains	122,963	144,937
Market value, excluding cash, at 31 Dec 17 and 31 Dec 16	1,421,917	1,418,382
Cash	148,324	29,998
Market value at 31 Dec 17 and 31 Dec 16	1,570,241	1,448,380
Historical costs at 31 Dec 17 and 31 Dec 16	973,600	800,192

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. Investments (cont'd)

The breakdown of the portfolio is as follows:

	2017	2016
	£	£
UK Quoted Investments		
Fair Value:		
Fixed and variable interest	163,673	133,551
Equities	923,520	1,011,387
Unit Trusts	192,814	155,931
	<u>1,280,007</u>	<u>1,300,869</u>
UK Unquoted Investments		
Fair Value	<u>141,910</u>	<u>117,513</u>
Cash	<u>148,324</u>	<u>29,998</u>
Total	<u><u>1,570,241</u></u>	<u><u>1,448,380</u></u>

13. Debtors

	2017	2016
	£	£
Prepayments and accrued income	<u>8,280</u>	<u>6,678</u>
	<u><u>8,280</u></u>	<u><u>6,678</u></u>

14. Creditors

	2017	2016
	£	£
Accruals and Deferred Income	15,526	29,696
Social Security and Other Taxes	<u>1,660</u>	<u>1,579</u>
	<u><u>17,186</u></u>	<u><u>31,275</u></u>

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. Financial assets and liabilities

	2017	2016
	£	£
Financial assets at amortised cost	302,554	166,538
Financial assets at fair value through Statement of Financial Activities	1,421,917	1,418,382
Financial liabilities at amortised cost	(15,526)	(29,696)

Financial assets at amortised cost comprise of cash, accrued income and other debtors.

Financial assets at fair value comprise of quoted and unquoted investments which are measured at market value at the year end.

Financial liabilities comprise of accruals.

16. Indemnity Insurance

Premiums were paid during the year which provide insurance cover for the Society as shown below:

Public Liability	£2m
Professional Indemnity	£1m

17. Staff Pension Liability

The Aged Christian Friend Society of Scotland participates in the Scottish Housing Association's Pension Scheme ('the Scheme'). This is a multi-employer scheme which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. Staff Pension Liability (cont'd)

To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions (From 1 April 2014 to 30 September 2027):

£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions (From 1 April 2017 to 28 February 2022):

£25,735,092 per annum (payable monthly and increasing by 3% each on 1st April)

Deficit contributions (From 1 April 2017 to 30 June 2025):

£727,217 per annum (payable monthly and increasing by 3% each on 1st April)

Deficit contributions (From 1 April 2017 to 31 October 2026):

£1,239,033 per annum (payable monthly and increasing by 3% each on 1st April)

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

Where the scheme is in deficit and where the 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.

	31 December 2017 £	31 December 2016 £
Present value of provision	32,455	39,819
Reconciliation of opening and closing provisions		Period Ending 31 December 2017 £
Provision at start of period		39,819
Unwinding of the discount factor (interest expense)		394
Deficit contribution paid		(7,712)
Remeasurements - impact of any change in assumptions		(46)
Remeasurements - amendments to the contribution schedule		-
Provision at end of period		32,455

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. Staff Pension Liability (cont'd)

Income and expenditure impact	Period Ending 31 December 2017 £
Interest expense	394
Remeasurements – impact of any change in assumptions	(46)
Remeasurements – amendments to the contribution schedule	-
Contributions paid in respect of future service	-
Costs recognised in income and expenditure account	-

Assumptions	31 December 2017 % per annum	31 December 2016 % per annum
Rate of discount	<u>1.18</u>	<u>1.11</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

18. Contingent Liability

The Aged Christian Friend Society of Scotland has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Association's Pension Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for The Aged Christian Friend Society of Scotland was £157,287.21 (2016: £206,103).

The Directors confirm that the Society has no intention of withdrawing from the scheme at this time; however, the Society has moved to the defined contribution scheme, provided by the Scottish Housing Association's Pension Scheme, as from 1 October 2013, thereby limiting employer obligations from that date to the amount of employer pension contributions.

19. Analysis of Net Assets Between Funds

	General £	Total £
Fixed Assets	5,241,612	5,241,612
Investments	1,570,241	1,570,241
Current Assets	162,510	162,510
Current Liabilities	(17,186)	(17,186)
Long Term Liabilities	<u>(32,455)</u>	<u>(32,455)</u>
Net Assets at 31 December 2017	<u>6,924,722</u>	<u>6,924,722</u>

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2017**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. Movements in Funds

	At 1 January 2017 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains/ (Losses) £	At 31 December 2017 £
General	6,735,568	350,968	293,039	-	131,225	6,924,722
	<u>6,735,568</u>	<u>350,968</u>	<u>293,039</u>	<u>-</u>	<u>131,225</u>	<u>6,924,722</u>

Purpose of Funds: All of the charity's funds are unrestricted and are used for the general purposes of the charity.

21. Reconciliation of net movement in funds to net cash flow from operating activities

	2017 £	2016 £
Net movement in funds	189,154	213,029
Add back depreciation charge	7,344	2,813
Deduct dividends and interest	(88,013)	(53,515)
Deduct gains/add back losses on investments	(131,179)	(132,236)
(Increase)/decrease in debtors	(1,602)	2,975
(Decrease)/increase in creditors	(14,089)	13,330
Decrease in pension provision	<u>(7,364)</u>	<u>(59,645)</u>
Net cash used in operating activities	<u>(45,749)</u>	<u>(13,249)</u>

22. Cash and Cash equivalents

	2017 £	2016 £
Cash in hand	611	257
Cash in bank	153,619	135,405
Cash held in investments	<u>148,324</u>	<u>29,998</u>
Total Cash and cash equivalents	<u>302,554</u>	<u>165,660</u>